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Cuba

Cuba: Alarcon on ICAO Probe on Downing of U.S. Planes

PA2504045496 Havana PRENSA LATINA in Spanish 2146 GMT 24 Apr 96

[FBIS Translated Text] Havana, 24 Apr (PL) — Cuba has presented "new, irrefutable evidence" on the downing of two planes that violated national airspace last February, Ricardo Alarcon, president of the National Assembly (parliament), said today.

Alarcon spoke today at a symposium marking the 35th anniversary of Radio Havana Cuba. He referred to an investigation by the International Civil Aviation Organization (ICAO) to which the island has offered its full cooperation, he said.

I do not doubt that great pressure is being applied to prevent the ICAO council from making a just and appropriate decision once it completes its work on 6 may. I hope it will issue a just and balanced report, Alarcon said.

He said immense pressure could be applied even on the international community, because the United States already committed a brutal crime against the Cuban people by signing the Helms-Burton law in the face of the opposition of the entire world while presenting the 24 February incident as the sole excuse.

They (the United States) must now prove that the incident happened in the manner they have publicly claimed, and this is why they must be interested in influencing the ICAO's decision, he added.

In this regard, the parliament president said a legislator of Cuban origin, known for advocating some of the most intransigent positions toward his country of origin, has already publicly criticized the ICAO commission.

Alarcon added that the Helms-Burton law aims to intensify the blockade against Cuba, but Cubans themselves will prevent its application.

A lot more important than this law and the other devilish things they try to impose on us are the things we do, our sugar production, and the results of agriculture and of the rest of the economy, he said.

Alarcon said the rest of the world's refusal to comply with this law will prompt U.S. businessmen in the near future, more or less, to demand an end to this policy more vigorously than ever before.

After all these anti-Cuban measures, the only thing left in the U.S. campaign against Cuba is the military option, and one must wonder whether the U.S. people are willing to accept this to favor the Mas Canosas, the large Cuban landowners, and the Batista followers, Alarcon added.

Cuba: UK Praises Government's Counternarcotics Efforts

PA2304181496 Havana Radio Rebelde Network in Spanish 1700 GMT 20 Apr 96

[From the "National Radio News" program]

[FBIS Translated Text] UK Ambassador to Cuba (Philip Ann Mclean) has praised the Cuban Government's counternarcotics efforts in an interview granted to AIN. (Mclean) stressed that Cuba and the UK share the same point of view on the need for nations to cooperate to fight this scourge of mankind. The UK has increased its cooperation with Cuban authorities on this front. (Mclean) also stressed that the UK is very pleased with Cuba's results in the increase of drug seizures conducted while the drug was en route between supplier and consuming nations. National Revolutionary Police leaders recently announced the arrest in the first quarter of 1996 of nine foreign tourists involved in international drug trafficking, as well as the incineration of marijuana found along the coasts.

Cuba: Foreign Minister Returns To Cuba From Mexico

PA2504035096 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 25 Apr 96

[From the "NTV" newscast]

[FBIS Translated Text] Foreign Minister Roberto Robaina today returned to Cuba from Mexico, where he attended the 7th meeting of the General Intergovernmental Joint Commission.

Before leaving Mexico, Robaina held a meeting of great significance with representatives of the Mexican Organization of Solidarity With Cuba. The organization took the opportunity to deliver one of the fifteen computers it had donated to Cuba in response to U.S. attempts to prevent similar computers from reaching Cuba.

The delegation bought the computer, which the health system will use. The rest of the computers will arrive in coming days.

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Cuba: Nation To Debate Upcoming Workers Congress Theme

PA2404165696 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 19 Apr 96

[From the "NTV" newscast]

[FBIS Translated Text] The entire nation continues to debate the theme of the 17th Cuban Workers Federation [CTC] Congress just days before it is to open. The Convention Center will play host to 2,900 workers 27-30 April. Approximately 3 million workers nationwide have already participated in meetings and debates on the theme. Participants in the meetings considered the country's overall problems and the specific problems of each workplace. The focus was on defending our accomplishments and reviewing each collective's role with regard to economic efficiency. The democratic nature of and overwhelming turnout at these meetings has instilled confidence in workers in the struggle for economic recovery. The proposed resolutions that delegates to and guests of the 17th CTC Congress will debate and approve are ready. This important labor event is a little less than one week away. Congress organizers are hoping for a high turnout of workers, who carry out the most important task that a human being can carry out on a daily basis and that so dignifies man.

Cuba: Authorities Prepare For 1 May Festivities

PA2304183796 Havana Radio Rebelde Network in Spanish 1700 GMT 19 Apr 96

[Report by Pepe Suarez; from the "National Radio News" program]

[FBIS Translated Text] Over 1 million Cubans will march on Havana's Revolution Park in celebration of the Day of International Solidarity of Workers on 1 May. The marchers will repudiate and condemn the U.S. blockade and the pro-slavery Helms-Burton law. Esteban Lazo, Politburo member and first secretary of the Party in Havana, participated in a working session of the Havana chapter of the Cuban Workers Federation [CTC] and other political and mass organizations. Lazo stressed the patriotic nature of the 1 May march and summoned all patriotic Cubans to attend. He said that Party militants, the Union of Young Communists, and Cuban Revolution combatants — with their relatives, neighbors, and comrades — will be the first in line to set an example. Felix Sosa, director of the Party's Olo Pantoja cadres school, commented on the ideological essence of the revolutionary principles:

[Begin Sosa recording] The 139 workers and 176 students of the Party's provincial school and other institutions will participate in the 1 May march. The school will also be the second to march in La Lisa Municipality on 22 May. The main goal is not only to have youth party militants in the march but also to encourage everyone in the community and workplaces to participate. Each militant will have the whole family and their neighbors and acquaintances attending the march. This is the key issue to guarantee the participation of over 1.5 million people in this 1 May march. [end recording]

The Committees for the Defense of the Revolution and the Cuban Womens Federation are also helping the CTC organize the event in every street, so that over 1 million people in Havana will be able to march for the fatherland, Fidel, and socialism on 1 May.

Haiti

Haiti: U.S. Business Group Visits on Commercial Exchanges

PA2404233696 Port-au-Prince Signal FM Radio in French 1030 GMT 24 Apr 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] A delegation of U.S. businessmen is visiting Haiti. The members of this delegation were sent by the Caribbean Latin American Action [CLA] to study the possibilities of and to encourage commercial exchanges with the country. They met with government officials, most notably with President Rene Preval yesterday, about their mission.

The CLA delegation asked the head of state to facilitate access to Haiti to foreign investors. The CLA delegates also requested reforms in Teleco and Haiti Electricity with a view to better service for foreign investors.

Haiti: Preval Inaugurates Management, Fiscal Control Unit

PA2404233496 Port-au-Prince Radio Nationale in Creole 1300 GMT 24 Apr 96

[From the "0900-1000 Newscast"]

[FBIS Translated Excerpt] The Haitian president, Rene Garcia Preval, inaugurated a new office, the Management and Fiscal Control Unit, under the auspices of the General Management of Taxes [DGI] the morning of 23 April. It is located at the former premises of the Defense Ministry on Delmas Road across from Delmas 2.

In a speech, the head of this new office, Robert Joseph, noted the importance of this unit within the new fiscal policy the government has established. Joseph said the works he will carry out are based on two major points: Reorganizing this office by securing the various taxes stipulated by the DGI and modernizing it in order to

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better manage the monies and debts to the state of the 200 individuals in the upper income bracket. [passage omitted]

Haiti: Preval Warns Individuals Who Owe Government Debts

PA2404233896 Port-au-Prince Radio Vision 2000 in Creole 1600 GMT 24 Apr 96

[Report by Benito Emeran from the "Creole Gazette Newscast" — passages within quotation marks are recorded]

[FBIS Translated Excerpt] Rene Garcia Preval visited the General Management of Taxes [DGI] for the second time on 23 April after the unexpected 22 April visit. Preval returned to the DGI to determine whether the government can collect more revenues. On this occasion, the Haitian president denounced all those who are misleading the DGI about their finances.

Preval sent a warning to all those who owe debts to the government and who do not want to pay them. The threats even included the arrest of taxpayers, according to the head of state who said the government will be unable to fulfill its obligations to the people if it does not receive money. Preval supported this statement by saying one industrialist alone owes 32 million gourdes to the Haitian Government; nevertheless he mentioned no names.

That same day, Preval inaugurated the Management and Fiscal Control Unit [UCG], a separate, decentralized office of the DGI that is responsible for collecting money from those 200 taxpayers in the upper income bracket.

Our colleague, Benito Emeran, reports.

[Emeran] President Rene Preval authorized the DGI to improve the handling of internal revenue and to reorganize itself. After inaugurating the UCG office, located in Demas, on 23 April, the president, together with the finance minister, returned to the DGI to continue inspecting and overseeing the list of individuals who owe the government money. While looking for individuals who owe the government money, the president took note of one of Haiti's most prominent industrialists and businessmen who owes the state 32 million gourdes in taxes. Another industrialist who owns a bank, according to the president, owes the government 28,365 gourdes. According to the president, this money is the result of income taxes.

President Preval took the opportunity to issue a warning to those who owe the government, but he did not reveal their names to the press:

[Preval] "It is necessary for those who have to pay the government do so. We will wait as long as necessary and will take the necessary measures so Haitians may be made aware of those who do not pay their taxes; thus, I propose that those individuals simply come and pay."

[Emeran] Preval said the Haitian Government cannot clear trash on the streets, fire trucks cannot provide more effective service, and the government cannot pay its employees if those who owe money to the state do not pay it. The president said measures have been taken at the DGI to avert deficits and that the DGI says the funds collected during the day will be used for tomorrow's expenses.

The president believes he is obligated to negotiate as soon as possible with the international donors and to sign an agreement so the Haitian Government may obtain funds to balance the budget for fiscal year 1995-1996. The donors' fiscal year will end on 30 June.

President Preval did not warn the industrialists only but asked doctors to settle with the DGI as soon as possible:

[Preval] "All doctors and dentists must come to the DGI tomorrow and the day after to file their income taxes."

[Emeran] Preval said his decision is unshakable and said he is there so everybody may respect the law even though the series of measures he took in 1991 to spur the people to respect the law contributed to the coup d'etat. Now that democracy is back, Preval said, everyone must play by the rules:

[Preval, in progress] "...whether we accept to play by the rules. If you do not play by the rules, our place is not here as executive branch." [sentence as heard]

[Emeran] The president said that as long as he is there, he is determined to make the DGI and the Customs Service collect funds properly. The president said he is going to reinforce the surveillance brigades at the Customs offices in order to combat smuggling, which is carried out at night, particularly at the Port of Miragone. [passage omitted]

Haiti: Preval To Visit Canal Avezak in Camp-Perrin

PA2404233396 Port-au-Prince Signal FM Radio in French 1030 GMT 24 Apr 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] President Rene Preval will resume his visits to the provinces. The head of state is expected to go to southern Haiti where he will visit Canal Avezak in Camp-Perrin, as he did the last time.

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This visit will be the president's second to this area. On his last tour, he encouraged the peasants to support the land reform, the foundation of any development and the main point of his political program.

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Mexico: 'Respect and Cooperation' With U.S. To Prevail

PA2304182496 Mexico City NOTIMEX in Spanish 2031 GMT 17 Apr 96

[FBIS Translated Text] Nuevo Laredo (Mexico), 17 Apr (NOTIMEX) — President Ernesto Zedillo today said that respect and cooperation will prevail between Mexico and the United States to make the common border a productive, environmentally protected area, an area of harmonious coexistence.

Mexico has good friends that will contribute to prevent acts of discrimination and unjustified violence against undocumented citizens in the United States, the Mexican president stated at the opening of a water treatment plant in this border city.

During the ceremony, which was attended by Texas Governor George Bush Jr. and U.S. Ambassador James Jones, President Zedillo remarked that his government will continue its strong protests "against the abuses that reveal worrying xenophobic attitudes that greatly offend us."

The U.S. Federal Government and the Government of Texas fully condemn every human rights violation or offense against the dignity of Mexicans who cross the border, the president noted.

The water treatment plant, the construction of which required a bilateral $37 million investment, symbolizes the goodwill, respect, and good neighborly cooperation between the United States and Mexico, the president added.

The purpose of this facility is to avoid the water quality deterioration of the Rio Grande River, with the previous treatment of the waters that Nuevo Laredo empties into the river.

Actions such as this confirm that the path to deal with common problems is to strengthen mutual understanding, to join efforts, and to work always with a constructive spirit, the president asserted.

Zedillo further said that the plant is an example of what we can accomplish on the basis of respectful cooperation, aimed at meeting the shared needs that characterize the relations between the two countries.

The U.S. ambassador to Mexico declared that his country is investigating the events that occurred in Riverside, California, to apply the U.S. laws against whoever may be responsible.

He affirmed that the Government of Mexico is aware of the fact that Washington opposes the mistreatment of immigrants and that the very U.S. President, Bill Clinton, ordered the corresponding investigation to apply the established laws.

During his tour of Tamaulipas, Zedillo also presided over a ceremony of "Economic Recovery for the Social Welfare of the northern State of Tamaulipas," where he announced a total spending and investments for $1.136 billion.

Mexico: Study Outlines Program for Mexicans Abroad

PA2504024496 Mexico City LA JORNADA in Spanish 22 Apr 96 pp 8, 64

[Report by David Aponte]

[FBIS Translated Text] Guanajuato and Jalisco, with 112 municipalities, are the states that send the largest number of immigrants to the United States, a study prepared by the Secretariat of Foreign Relations (SRE) has concluded.

The SRE also has stressed the need for the Mexican Government to maintain close relations with fellow Mexicans who travel or live in that country and has even proposed the establishment of a "Mexican lobby" to try to influence decisions and laws affecting migrants.

The document outlined the objectives of the Program for Mexican Communities Abroad [Programa para las Comunidades Mexicanas en el Extrajero — PCME] in the next five years. In the political aspect, it has noted that "increasing the ties with our community in the United States and promoting its organization has a direct influence on our relations with that country and constitutes for us a vital balancing factor within a commercial and financial integration between the two countries." "In the next 10 years, Mexicans in the United States will be the dominant issue on the bilateral agenda as well as on the agenda of Washington's internal policy," the document has stated.

It has estimated that the flow of immigration and the geographic proximity have unique characteristics that open extraordinary opportunities for our nation. The bill making Mexican nationality permanent and the future objective of establishing a "Mexican lobby" in the United States fall within this context.

The study has stated that the SRE needs to strengthen the following strategic objectives whether the Constitution is amended with regard to nationality: Looking after the communities within a context of greater economic austerity, because they demand greater attention and solidarity from the Mexican Government in the midst of a climate of harassment against legal and undocumented immigrants; processing the information from the community leaders and putting them in contact with the SRE

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and Mexican consular offices and cultural institutes in the United States; raising the capacity to respond in the face of an anti-immigrant climate.

One of the goals would be to bring together first generation immigrants with immigrants of Mexican origin born in the United States so they can have the greater economic and political power of second and third generation Mexican-American leaders.

It added that it is becoming necessary to encourage the immigrants' means of organization and self-defense, especially those being implemented in the communities of origin, as the natural places of organization of first generation migrant workers. [sentence as published]

On the initiative to avoid losing Mexican nationality, the document has stated that "the main attraction is not based on economic or political reasons, such as the possibility of owning properties in restricted zones or voting in the United States. These two reasons are, obviously, important, but the Mexican Government's unilateral action must not be interpreted in this context. Perhaps more important for our fellow citizens, as well as for the SRE, is the explanation of dual nationality as a coherent step to be followed on the part of Mexico in its task of reinforcing the sense of belonging in its children who are far away."

The Mexican Government's actions should be guided by criteria of plurality and tolerance. The Mexican migrants' desire to maintain ties with their country of origin, its culture, traditions does not counter their civic commitments to the country that has welcomed them, the study added.

The PCME of the SRE also has defined community, sports, educational, information, health, organization, fund collection, and business programs. The dissemination program deals with the production of radio and television messages to the community of Mexican origin.

The document also mentions the main states and municipalities from where laborers leave for the United States and the cities to which they go in that country. By order of importance and number, those states are: Guanajuato, Jalisco, Michoacan, Zacatecas, Federal District, Durango, San Luis Potosi, Guerrero, Puebla, Chihuahua, Oaxaca, Sinaloa, Coahuila, Tamaulipas, Nuevo Leon, Nayarit, Veracruz, Sonora, Queretaro, Aguascalientes, Baja California, Hidalgo, Mexico, Colima, Morelos, and Yucatan.

The main destinations of Mexican migration are: Albuquerque, Austin, Atlanta, Brownsville, Calexico, Chicago, Dallas, Del Rio, Detroit, Eagle Pass, El Paso, Philadelphia, Houston, Laredo, Los Angeles, McAllen, Nogales, New York, Oxnard, Sacramento, San Francisco, San Jose, Seattle, and Tucson, the document added.

It also gives a list of regions that send out migrant workers and their destinations. Guanajuato has 40 municipalities and villages that send out labor to the United States. Jalisco has 72, Michoacan 60, Zacatecas 39, and six political areas from the Federal District: Alvaro Obregon, Benito Juarez, Gustavo A. Madero, Iztapalapa, Magdalena Contreras, and Venustiano Carranza.

In sum, the country has 585 municipalities and villages that send out migrant workers. According to SRE estimates, about 20 million people of Mexican origin live in the United States.

The document states there are more than 320 organizations, including federations and clubs, of Mexican migrants in the United States, and it also provides a directory of community leaders classified by the SRE and destinations in the United States. [sentence as published]

In its final considerations, the SRE states this program should not be viewed as a utilitarian effort with the objective of taking advantage of the Mexicans' presence in the United States as simple instruments of foreign policy; otherwise, there could be counterproductive effects.

"No one overlooks the importance of fostering a political relationship with Mexicans and Mexican-Americans who have a growing power in economic, political, and social circles in the United States. To achieve this, however, we must first show genuine interest in the problems affecting them, not us, and show that we can be useful in areas that interest them. The rest comes later. The important thing is to follow a consistent and long-term strategy in which the foreign secretary's main responsibility will be to include them in the project of the nation that we will build together with those who are here and those who are there," the document concluded.

Mexico: Cuban Minister Attends Bilateral Commission

PA2504044096 Mexico City LA JORNADA in Spanish 23 Apr 96 p 6

[Report by Rosa E. Vargas and Victor Zendejas]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina said yesterday his country has been able to resist difficult times because it has always had "Mexico's support." He added that Fidel Castro's visit to Mexico has not been canceled but that the date has not been decided yet due to scheduling problems.

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"There should be no doubt that the invitation is still pending and that our president is determined to honor it as soon as possible," Robaina said. He is attending the seventh meeting of the Mexico-Cuba Intergovernmental Mixed Commission.

Santiago Onate Laborde, president of the PRI [Institutional Revolutionary Party] and Copppal [Permanent Conference of Latin American Political Parties], welcomed Robaina to Mexico in the afternoon. Onate said COPPPAL rejects the approval of the Helms-Burton law because of the unfairness of the blockade against Cuba, which violates international laws, world trade regulations, and the most elementary logic of relations between sovereign nations.

Onate said Copppal also supports Cuba's right to participate in all Latin American and Caribbean forums as a full member, adding that in exercising its sovereign rights, Cuba should occupy the position "the affection and solidarity of the great majority of Latin Americans have reserved for more than 30 years."

At the airport, shortly after his arrival in Mexico, Robaina referred to the bad treatment given to Mexican immigrants in the United States, saying they should be given the opportunity to travel to Geneva to report what the country that calls itself the "champions of universal rights" does to their human rights.

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El Salvador

El Salvador: Government Communique on Paraguay Crisis

PA2404165896 Panama City ACAN in Spanish 1852 GMT 23 Apr 96

[FBIS Translated Text] San Salvador, 23 Apr (ACAN) — The Salvadoran Government today condemned General Lino Cesar Oviedo's "attempt to undermine the constitutional order" in Paraguay and expressed its full support for President Juan Carlos Wasmosy. The Salvadoran Foreign Ministry issued a communique confirming that it "rejects any attempt to use force to impose personal positions" and reasserting El Salvador's "absolute conviction that democracy and constitutional order are the foundations for peaceful coexistence between nations." The communique noted that El Salvador is confident that the will of the Paraguayan people, expressed through a mandate they conferred upon Wasmosy, "will not suffer any setbacks." It added that developments in Paraguay "will serve to strengthen that country's penchant for democracy and peace even more."

Guatemala

Guatemala: President Says Recent Violence 'Suspicious'

PA2404184396 Guatemala City SIGLO VEINTIUNO in Spanish 23 Apr 96 p 43

[FBIS Translated Text] In a ceremony held at the Chamber of Commerce last night, President Alvaro Arzu has described as suspicious the series of recent violent attacks in the country.

It is as though all hell had broken loose, Arzu said repeating the expression used by Minugua [UN Mission for Guatemala] Director Leonardo Franco with regard to this topic. Stressing the suspicious nature of the situation, the president said that since he took office, the wave of violence has been on the rise.

He pointed out, however, that **we have accomplished our task** as he reiterated the proposition made during the electoral campaign that in the first 180 days of his administration, there would be substantial changes.

Meanwhile, President Arzu stated that he was pleased by the decision of the UN Human Rights Commission, which agreed to leave Guatemala in Section 17.

Regarding the report by specialist Monica Pinto, he remarked that **it was the only thing that was not in tune with the resolution by the Human Rights Commission, because all the reports that mentioned our country were favorable.**

He questioned the merit of this report pointing out that he deemed more valuable and objective the report by Minugua, because they have been here for 365 days and have more than 200 observers.

He concluded that **it is not possible to describe exactly what is happening in our country if we are only using the letters we receive as a basis.**

Nicaragua

Nicaragua: Minister Notes President's Support for Wasmosy

PA2404185196 Managua Sistema Nacional de Television Network in Spanish 0130 GMT 24 Apr 96

[From the "National Newscast"]

[FBIS Translated Text] The Nicaraguan Government has condemned attempts to topple Paraguay's President Juan Carlos Wasmosy. The dismissed army chief tried to bring about an Armed Forces uprising against President Wasmosy. Foreign Minister Ernesto Leal said Wasmosy has the support of President Violeta Barrios de Chamorro's government:

[Begin Leal recording] Constitutional order in Paraguay must be respected. President Juan Carlos Wasmosy has the Nicaraguan Government's full support. I had the opportunity to talk with our ambassador to the OAS this morning. I asked him to request an ad hoc emergency meeting of foreign ministers, which is what the OAS does in these cases. We call on the military forces reportedly staging a rebellion to respect constitutional order. The Latin American people will no longer allow coups d'etat in any Latin American country. [end recording]

Panama

Panama: President Discusses Results of European Tour

PA2404194896 Panama City Radio and Television Networks in Spanish 1600 GMT 23 Apr 96

[News conference by President Ernesto Perez Balladares and Planning Minister Guillermo Chapman with foreign and local correspondents at the Heron Palace in Panama City; moderated by German Molino — live relay]

[FBIS Translated Text] [Molino] The president will answer your questions. First, we have Jenny Lee Martinez of Radio KW Continente.

[Martinez] Mr. President, good morning. There has been a lot of criticism with regard to your tour to Europe, especially from the opposition. The opposition parties

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say they want to know when the results of your trips to Asia and Europe will be seen. What message do you have for them? When will we see the results of these two trips?

[Perez Balladares] I think the trip to Asia has begun to yield specific results. On Thursday, 25 April, we will be placing the cornerstone for the new port that will be built and which was the result of our trip to Asia. The port will be built by the Evergreen company. We are also preparing for the arrival of an important group of companies that will set up in the reverted areas of Forts Espinar and Davis.

Of course, you know that the opposition has to live off of something. They have to criticize. We accept the criticism. I would like them to give us formulas on how to do it differently and how to get the investments we are getting.

[Molino] Marisol Atencio from Circuito RPC Radio.

[Atencio] I am Marisol Atencio from RPC Radio. In the course of this news conference, you will talk about what you achieved during your tour to Europe, but, without wanting to sound pessimistic, I would like to know about the weak points of the trip, according to you. In what areas did the delegation lack greater negotiation efforts?

[Perez Balladares] If we had a weak point, perhaps it was that we missed a couple of countries. Unfortunately, we were unable to coordinate with them properly. Countries such as Germany, for example, would have been important for us to visit. I believe it is important for Panamanian businessmen to visit Germany and discuss with German businessmen the investment possibilities in Panama. I do not think there was anything else for which we had to conduct greater negotiations. I am pleased with what we have attained. The businessmen who accompanied me were also pleased with the contacts they made. I am sure that eventually, in the medium-run, there will be important flows of investment to Panama, and Panamanian businessmen will participate, which is what interests us. In addition, I must point out that the mere fact of having achieved the refinancing of Panama's commercial debt, with a 31-percent reduction — about $1 billion — was sufficiently important to have justified the entire trip. Bear in mind that the reason for the trip was not to refinance the debt, but that alone would have justified any trip to Europe.

[Atencio] I have another question, Mr. President. When you were in Italy, there was some confusion over some of your statements to foreign correspondents. There was confusion over whether you would allow a referendum on the stay of the military bases. What did you say exactly?

[Perez Balladares] Let's start from the beginning. I am going to tell you about the question they asked me so that we can all understand my statement. The question that a reporter asked me — I do not remember if it was a male or female reporter — was that if Panamanians were going to hold a referendum to ask the Americans to remain in Panama after the year 2000. The answer to that question was no. We would never hold a referendum to ask the Americans to remain here beyond the year 2000. The answer was misunderstood in some way, and they tried to make it appear as if there would be no consultation, as if there were in fact a negotiation or an agreement. I have reiterated from the first day we talked about this topic that if there is a negotiation and if the negotiation leads to an agreement, that agreement would have to go to a referendum. The other day, Dr. Rolando Murgas corrected me and I do not remember if it is a referendum or a plebiscite that we would have to hold, according to the Constitution. I am not a lawyer. What we have to do is honor the Constitution, and we are going to do that.

[Atencio] Mr. President...

[Perez Balladares, interrupting] Hey, how many questions are you going to ask today?

[Atencio] The last, the last question. I know the news conference was held to talk about the tour, but could we take advantage of the opportunity to ask you about a topic of national interest?

[Perez Balladares] Later on.

[Atencio] Thank you.

[Molino] Atenogenes Rodriguez.

[Rodriguez] From the report that was handed out to us today, we see that the private sector reaped the most benefits from the tour. In other words, representatives of this sector met with European and other businessmen. What benefits did the government obtain?

[Perez Balladares] Atenogenes, let me see if we can put this question into perspective. The government... [pauses] today's governments must be facilitators. Facilitators of what? Well, facilitators of investments, production, free competition, the creation of jobs. Businessmen are the ones that must make investments, promote exports, make contacts, and create jobs. Thus, the government plays the role of a facilitator. Of course, as part of this role, there is also a climate that could be positive or negative. It is the government's duty to produce a positive climate with other governments. I would

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tell you that, in this regard, it seems to me that our government has fulfilled its mission — you could ask those who accompanied us — to create a positive attitude toward Panama at the EU. However, businessmen must definitely discuss the issue of making investments, joint projects, and businessmen's visits tangible. I do not think it is fair, let alone right, for the government to now start associating itself directly with businessmen to embark on new projects in Panama. I believe that is an issue that businessmen must handle.

Finally, I would tell you that, aside from the benefits that could result from the good name a country may have, aside from the confidence I understand many European countries have on our capability to manage the Panama Canal, to honor our international commitments, and to stress our resolve to respect our word, there was also what I have just said: A direct benefit not for the government, but for the Panamanian state in reducing the commercial debt by 31 percent. This is another benefit we could attribute to this tour.

I would finally say, however, that the role any government in today's world must play is the role of a facilitator. This is what we went to do, not only in Europe, but also in Asia, the United States, and other countries.

[Molino] Irene Hernandez from TVN Television Network. .

[Hernandez] The foreign debt agreement Panama signed with commercial banks. [sentence as heard] Second, what happened at the businessmen's forum held in Brussels? It was initially said that 2,000 businessmen were going to attend, but only 300 did.

[Perez Balladares] Do you think that people did not go? [laughs] I do not know where you got that 2,000 figure, Irene; honestly, I do not. I know that a great number of invitations were sent out, and I know that the venue turned out to be too small. I believe that it is not that people did not go; on the contrary, too many people went. I believe it was a success.

As for the issue of the foreign debt, I am going to ask Minister Chapman to expand on what you want to know, because he was the one who handled the details of the foreign debt.

[Chapman] Certainly, Mr. President. We all know that, in the 1970's and early 1980's, the government was mainly responsible for promoting jobs and that this was financed through a process of acquiring debts. In other words, it was an economic policy style completely opposite to the one that is being promoted now, which is to make the private sector responsible for creating jobs.

By the end of 1987, we had accumulated a $2 billion debt with international commercial banks. As a result of the political crisis that began in the second half of that year, we stopped paying that debt.

Therefore, between late 1987 and early 1996 we not only owed the $2 billion in capital but also an additional $2 billion in accumulated interest. The negotiations consisted, first, of recalculating the accumulated interest so as to reach a uniform and lower interest rate than the one originally agreed upon. This meant that the $2 billion in interest was reduced to $1.5 billion in interest. That $3.5 billion debt was restructured so that what we otherwise had to pay in five to seven years will now be paid between 18 and 30 years, at a more favorable interest rate.

This means, in numerical terms, that the servicing of that debt, which we have just restructured, compared with the servicing of the original debt, resulted in a 31-percent savings, comparing the payments under one debt formula with those of the other. That 31 percent is equal to approximately $1 billion.

Now, why did we renegotiate the debt? There are several reasons for this, the first of which is that a country — just like an individual, a family, a company — needs to protect its credit. If we have a reputation for not paying our debt — in other words, if we are welshers — that reflects on the access of our country, not our government, to international sources of credit. It also reflects on the cost of credit. First, we would have limited credit and, second, we would have to pay more for credit.

Therefore, the benefits obtained from this side are very important, and they are directly related to the fundamental problem of the country, that is, reducing unemployment and poverty levels. This should fundamentally be carried out by the private sector through investments. This also facilitates those projects we are trying to carry out with the participation of the private sector in the area of ports, toll highways, and electric power generation — be it hydroelectric or thermal power generation — which require external financing. The cost of these projects for investors as well as for the country will now be less. This, in turn, results in lower rates, lower tolls. In other words, there is general benefit for the community.

Finally, another reason is the fact that the image of the country, from the financial standpoint, its responsibility regarding these affairs, will improve notably. Therefore, the task the president has undertaken to promote foreign investments in Panama, as a mechanism to tackle head on the problem of unemployment and poverty, will be much easier.

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This is, in essence, the nature of the operation and the reasons why this government has deemed it imperative for the country to solve the problems the way it they are being solved.

[Molino] Mr. Hugo Famania has the floor now.

[Famania] Mr. President, how much did your trip to the Old Continent cost? Based on that, if we were to weigh the cost against the benefits, what would be your evaluation, in a simple and clear message to the entire country?

[Perez Balladares] I do not know how much it cost. You can ask the comptroller general. What I can say, however, is that one of the direct benefits is $1 billion less for the country to pay. I am sure that the trip did not cost that much.

[Molino] Henry Cardenas.

[Cardenas] The need to promote our country abroad is constantly being mentioned. Does this mean that the Foreign Ministry or the Panamanian consulates abroad are not doing a good job?

[Perez Balladares] Yes, they are. In fact, the Foreign Ministry has implemented a new policy, which is completely different from the traditional diplomatic policy. Our ambassadors and consuls are promoting the country. Investors and governments, however, not only want to see action from the ambassadors, but also from ministers, and if possible in some cases, from the president of the Republic. There are people — and you have seen this locally — who do not accept what a government official says. They are not satisfied until they hear it from the minister, and sometimes that is not good enough either, and they go to the vice president or the president to be reassured. This happens everywhere. The task of promoting the country that the ambassadors and consuls are entrusted with is complemented with these types of tours and visits.

[Moderator] Tomas Alberto Cupas.

[Cupas] [Words indistinct]

[Perez Balladares] Good morning Tommy. Thank you.

[Cupas] [Words indistinct]

[Perez Balladares, laughing] Who said that? Ricardo Arias Calderon? Well, that's his opinion, Tommy. I respect it. I will not start a controversy with Mr. Arias Calderon. I believe it is unnecessary and that nothing positive would come out of it.

[Moderator] Jose Quintero, of LA PRENSA.

[Quintero] [Words indistinct] international dispatches datelined Panama reported that the EU could join the group of countries that could finance the updating of the studies on alternatives for the Canal. It has also been said that a conservative estimate of how much those studies would cost is $25 million. Here in Panama, a former member of the commission that conducted those studies has said that this amount is excessive, as the cost of the original studies was less than $20 million. Therefore, taking into consideration that this time the studies will only be updated, it should not require such a huge amount of money. What are your comments?

[Perez Balladares] I would like to stress what you said in the beginning of your question. The EU has agreed to support the efforts that Panama, Japan, and the United States are conducting to update the studies. I do not have the means to determine if $25 milion is too much or too little to update the studies. I assume that we have estimated an amount that will enable us to complete the studies without running out of funds. I am sure that the $25 million will not be handed out all at once. It will be stipulated in a contract to update the studies, with scheduled disbursements of specific and limited amounts. The proportion of the contributions will be based on the total amount eventually negotiated as the sum required to update the studies. The important aspect is that for the first time, the EU — which is the second largest group of countries using the Canal — has expressed its political willingness to participate in the update of the studies. We believe that eventually it will be possible for them to actually participate in design and expansion of the Panama Canal.

[Molino] Lawrence Grants of REUTERS.

[Grants] Good morning. Thank you. With your permission, I would like to ask you two questions. First, I believe that it is not very clear to the American community whether or not a renegotiation will be resumed regarding the bases. I believe that the United States has indicated a great interest in having talks [words indistinct].

[Perez Balladares] I do not hear you very well. Did you mention whether there was an interest or did you not?

[Grants] In order to know whether there will be any renegotiation...

[Perez Balladares, interrupting] No, what did you say about the United States? What did you say was very clear in the United States? I did not understand you.

[Grants] Excuse me, it was not very clear regarding talks about the bases because in...[pauses] well, may I ask my questions in English? [laughs]

[Perez Balladares] Yes, you may ask questions in English, and I will gladly answer in Spanish.

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[Grants, in English] All right. Thank you very much. Yes, I'd like to know if the talks on the bases, the military bases, are they going to be resumed. The American community, specifically Perry has indicated his great interest in having these discussions with Panama and that he is waiting for a Panamanian response as to whether these will take place or not. My second question is about the future of the Canal. I might have some conversations with various shipping companies, and they are concerned about after the year 2000. One of the main concerns is the budget of the Canal and will that remain separate with the Canal and not be used by the Panamanian Government?

[Perez Balladares] Well, I am glad that you have raised the first question as an explanation, because there was some information going around, which I understand was published in a U.S. Southern Command newspaper and later in a national newspaper. I have been unable to first determine what U.S. Secretary Perry's statements actually were or to find out what the U.S. Southern Command newspaper said. I only refer to what appeared in the Panamanian news media in the sense that Panama should make a request in order for negotiations to take place. If this is what Secretary Perry said, I am astonished because he knows well that there will never be a Panamanian request to negotiate the presence of the bases. I am further surprised because the request, which was made during my visit to Washington in September 1995, originated — and I wish to reiterate this — with President Clinton, who suggested exploring the possibility of continuing the U.S. presence in Panama after the year 2000 if it proved beneficial for the two countries. In fact we are doing so. We are exploring. However, I reiterate that if we determine that this possibility would benefit us in any way, our next step would be to initiate negotiations. Anyway, any decision in this regard would have to be approved by the Panamanian people according to our Constitution. Any U.S. permanence or presence, regardless of its nature, beyond the treaties' provisions, must result in a direct economic benefit for the Republic of Panama. Such a benefit must be directly attributable to this presence. And we will not ask for the presence of bases. I wish to say that Secretary Perry's remarks were misinterpreted. However, he knows perfectly well that our position is to explore the possibility so as to determine if there are any benefits for Panama. They will explore if any benefits exist for them. We had said that this exploration would only take place if the United States made this request, and President Clinton did. We are carrying out this exploratory process.

[Molino] Dr. Fernando Nunez Fabrega.

[Nunez] Mr. President, on two previous trips, you visited the island of Puerto Rico where you made attempts to establish bilateral links much like those that we observed during your other trips. As a result of that trip, Puerto Rico's second largest bank came to Panama to acquire a local bank. However, your aides described this Puerto Rican bank's offer as suspicious. This has become a major issue in Puerto Rico. Do you not fear that this apparent lack of coherence among the lower echelons within your government and your own presidential efforts to promote investment could spoil all of these efforts?

[Perez Balladares] I suppose, Fernando, that you are specifically referring to the case of Banaico [Agro-Industrial Bank of Panama, Inc.], of which you are the representative for a group of depositors. Am I right? Is this the case?

[Nunez] Yes, you are right. It was the First Bank of Puerto Rico.

[Perez Balladares] The National Banking Commission [CBN] had decided to liquidate Banaico because, I am told, its financial situation was extremely bad. However, upon your request, I believe...

[Nunez, interrupting] Yes, that is right.

[Perez Balladares] ... I believe this matter was reconsidered. Nevertheless, after returning to Panama, I recently read a report that indicated that this request for reconsideration was denied not because the bank that made the request was being doubted...[pauses] I am not sure what you said. What did you say it was?

[Nunez] Suspect was the term used by the official.

[Perez Balladares] That was not the case. This request was denied because there was neither a specific offer of funds nor an explanation as to how this would be done. This offer was rather vague and was viewed as a dilatory tactic according to the CBN. As you know, the CBN is an independent entity that is comprised of not only four government officials, but also includes representatives from the private banking sector. As bankers, they did not see enough grounds to support this offer. It was decided to liquidate Banaico to prevent any additional adverse effect and any further harm to depositors. I do not believe there is a lack of coherence between the two matters. We should protect the respectability of our banking system. I am sure that had there been an offer that was responsibly supported so as to not raise any doubts, it would have been accepted. It is my understanding, I repeat, that this was not the case according to reports.

[Molino] Juan Carlos J. Nunez.

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[Nunez] Mr. President, UNESCO expressed its willingness to deliver funds for the struggle against drugs and the promotion of culture. I would like to hear your comments on this, considering the fact that it is a UN organization that offers little money to other countries due to its budget constraints. The other question is the following: A few days ago, the German ambassador to Panama reported his country will provide police advice to our Public Forces. Terrorism in a country affects international relations. What talks were held with regard to the greater participation of the European Union in the security of the region and in Panama? Thank you.

[Perez Balladares] Carlos, I want to point out that I did not travel to Germany on this occasion. Therefore, there is nothing specific about the statements made by the German ambassador.

However, I had the opportunity to propose to the EU, Italian Prime Minister Dini, Italian President Scalfaro, and the president of France, that they participate in the center we want to establish in Panama to fight drug trafficking and money laundering. This center will be built on one of the reverted U.S. military installations or one that will revert. This proposal was warmly welcomed by the presidents and the EU, as a whole.

Evidently, I understand that many of the acts of violence, terrorism, and kidnappings have the same common denominator. They are connected to drug trafficking and money laundering. Therefore, we could begin to develop an extracontinental unit, supposing that the Europeans accept to join in, to carry out a joint effort in the struggle against drug trafficking.

With regard to the issue of UNESCO, it was a proposal made personally by the Office of the First Lady, my wife, to Federico Mayor Zaragoza. She made this proposal at a working breakfast and he, in a very generous manner, approved the proposal to develop this youth program in 1997 with a significant initial contribution of $90,000, which will not cover the cost of the entire program. The remaining funds to finance this program will come from the government.

[Molino] Ivette De Leon, Omega Stereo.

[De Leon] Good morning, Mr. President. I have two questions: First, we understand that the tour was intended to attract new investments. We have observed that in the Colon Free Zone some businesses are actually leaving. This is contradictory. What is your personal opinion on this?

[Perez Balladares] What is your other question?

[De Leon] What is the purpose of the visit by French President Jacques Chirac to our country? Is it in support of the Universal Congress on the Canal?

[Perez Balladares] With regard to your first question on the Colon Free Zone, for some time, we have been, together with the Association of Colon Free Zone Users and Conep [National Council of Private Enterprise], conducting the necessary studies to determine what is really taking place not only in the Colon Free Zone but in all free zones of the continent. This is not a phenomenon that affects only our country and the Colon Free Zone. A number of companies have shut down. I do not have the exact figure. Perhaps the Colon Free Zone director or the minister of commerce and industries knows the exact figure.

But it has been said that approximately 200 front companies have shut down. Let me make a clarification here: These are front companies; they are not companies that maintained real operations but were used for internal transfers within the Free Zone. These companies have been eliminated to avoid filing and paying taxes. But they did not physically maintain operations in the Free Zone. Most of them were simply, I reiterate, front companies.

Now, this does not mean that a problem does not exist. There is indeed a problem, not only in the Colon Free Zone, but in all free zones of the continent. Yesterday, a gentleman who maintains very large operations told me that, indeed, his business in the Colon Free Zone has declined. I asked him, to what did he attribute this decline? He told me that he basically attributed it to the fact that there are problems in all Latin American countries, which make up our customers. Although misery loves company, he also told me that even though his operations in the Colon Free Zone have declined, operations in other free zones of the American continent have declined much more.

I think the important thing to do is, first, recognize that there is a difficult situation in the Colon Free Zone. The second thing is to do what we are doing: To conduct the study being done by Peat, Marwick, Mitchell, and Co., which is a company that carries out this type of work and which I was told yesterday has completed 50 percent of it. This study will be shared with the Colon Free Zone concession holders, and together we will redesign the Colon Free Zone and will do what needs to be done to make sure that our free zone — I do not care about the rest — maintains its level of competitiveness to make a quick recovery possibile.

I know that some people are saying: Ahh, that is the tax. As far as I have been able to find out with many Colon Free Zone businessmen, we are not talking about

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a tax. You can be sure, however, that if the study said it is a tax, I would review it. Are we clear?

[Molino] Orlando Mendieta from EL UNIVERSAL.

[Mendieta] [Words indistinct]

[Perez Balladares] It was yours?

[Mendieta] Yes.

[Perez Balladares] You asked two questions. As for Chirac's invitation, we are planning to hold a universal congress on the Panama Canal from 7 to 10 September 1997. Since the Canal's history began, two countries have been linked to the Canal: France and the United States. Consequently, we thought it would be a historic recognition for these two countries to co-chair this universal congress on the Panama Canal and close the cycle begun by the French in the early part of the century. What are we going to discuss there? We are basically going to assure all Canal users, shipping companies, companies doing business with the Canal, and the countries that use the Canal, of Panama's cabability to manage the Canal efficiently and that the constitutional mandate, which we are now expanding with a new law, will mean that the Panama Canal budget will be different and separate from that of the Republic. There will, therefore, be no possibility of withdrawing the funds needed by the canal for future government projects. Excuse me for elaborating on this issue, but it is so important that last year, by decision of the Panamanian members of the Board of Directors, a total of $53 million that was left over was used for investments in and improvements to the Panama Canal. This is a clear demonstration of our commitment to make sure that we will continue to operate this national asset efficiently. Aside from that, in that universal congress, we will also explore the possibilities of widening the Canal. It is not only a matter of telling the international community about our capability to manage the Canal, but of including them in the designs and decisions to widen the canal in the 21st Century, which is absolutely necessary for it to handle the current increase in traffic.

[Molino] Mendieta.

[Mendieta] Gooú morning, Mr. President. We would like to know if during your tour of Europe, the investors of these countries asked you or formally asked you to change economic or labor laws in Panama to make investments more attractive. If this is the case, did you make some type of commitment in this regard?

[Perez Balladares] No one made any request in this regard to me. No one asked me for any change of laws. I understand none of the ministers received such a request. I do not know if members of our private enterprise received such a request. I do not think so. I believe the important thing was to inform them of what we already have, which is our new basis for the construction of a new economy in Panama. We made a joint effort. They were very pleased and they told us they were very interested in visiting Panama and in discussing investment possibilities.

[Relay interrupted: Stations return to regular programming]

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Argentina

Argentina: Paraguay Crisis Said 'Weathered' for Now

PY2404221496 Buenos Aires TELAM in Spanish 1905 GMT 24 Apr 96

[FBIS Translated Text] Anillaco, La Rioja, 24 Apr (TELAM) — Foreign Minister Guido Di Tella stated today that the institutional crisis unleashed in Paraguay over the last few days following the mutinous behavior of [former Army Commander] General Lino Oviedo has, for the time being, been weathered.

Against the backdrop of the visit that President Carlos Menem and his Chilean counterpart Eduardo Frei are making to La Rioja Province, Di Tella told reporters: "The essence of the democratic system of government has, fortunately, been preserved."

The foreign minister declared: "Paraguay was confronted with a most serious situation, [no closing quotation-marks as received] adding that if this whole affair had ended up in a coup d'etat, "it would have had terrible consequences for the entire region."

Di Tella said that "for the time being" the institutional crisis affecting the Colorado Party administration of President Juan Carlos Wasmosy has been surmounted.

The minister was of the opinion that "President Wasmosy efficiently handled" this crisis and forecast that it "will be fully overcome."

Di Tella denied that the situation in Paraguay could erode the democratic consolidation process in which Latin America finds itself at present.

The head of Argentine diplomacy underscored: "We, from Argentina, have unconditionally supported constitutionally elected President Wasmosy because he represents democracy and the hope that the quality of democracy will be improved."

Di Tella said that "democracy is prevalent in all Latin American countries except one." He stressed that "this is the best situation in the entire Latin American history, but it is by no means perfect. Hence the need to perfect it."

The minister argued that "what happened in Paraguay shows the need to embark upon this endeavor even if the threat of a coup d'etat has been averted. We have to work very hard, but we are sure that with everybody's support, we will be able to help" consolidate democracy in the Americas.

Argentina: Army Denies Role in Arms Sales to Ecuador

PY2404122896 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2059 GMT 23 Apr 96

[FBIS Translated Text] Buenos Aires, 23 Apr (NA) — The Army General Staff defined responsibilities today on the controversial case involving arms sales to Ecuador, emphasizing that the Army "did not supply any war materiel, nor did it receive any orders" to make this transaction.

The Army emphasized, through a communique signed by Colonel Eduardo Alfonso, Army public relations chief, that the Army's relationship with Military Industries "involves the purchase, repair, maintenance, technical assistance, and replacement of surplus and obsolete materials to thus maintain the Army's operational capacity."

The Army General Staff also explained that, "as with organizations outside the Army, military personnel on active duty serving at Military Industries do not report to the Army chief of staff over the discharge of their duties."

The communique ultimately emphasizes: "The Army remains at the disposal of the judicial and administrative authorities involved in the various cases for the proceedings they may deem appropriate."

Argentina: Menem Meets Chile's Frei at La Rioja Airport

PY2404160596 Buenos Aires TELAM in Spanish 1517 GMT 24 Apr 96

[FBIS Translated Text] La Rioja, 24 Apr (TELAM) — Chilean President Eduardo Frei arrived at 1200 [1500 GMT] today at the Capitan Vicente Almandos Almonacid International Airport of La Rioja where he was met by Argentine President Carlos Menem and La Rioja Governor Angel Maza.

With his arrival in this province, Frei began his first official visit to Argentina, which will end on 27 April.

Argentina: Menem Receives Chilean Counterpart in Anillaco

PY2504113296 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2020 GMT 24 Apr 96

[FBIS Translated Text] La Rioja, 24 Apr (NA) — Chilean President Eduardo Frei today began in this town his official visit to Argentina and stressed the need for integration among countries of the region to "share experience and face the great challenges."

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Frei called for integration "not only through education and trade, but through human exchange." He made this statement during the ceremony marking the dedication of a high school in Anillaco, together with Argentine President Carlos Menem. Anillaco is the birthplace of the Argentine president.

The Chilean president arrived at the Vicente Almonacid Airport a few minutes before noon together with his foreign minister, Jose Miguel Insulza, and Argentine Ambassador to Chile Eduardo Rodriguez Guarach. They were welcomed by President Menem, La Rioja Governor Angel Maza, and local Mayor Luis Maria de la Cruz Agos Carreno.

After the protocol greetings, the two presidents went to Anillaco, where they presided over the dedication of the "Presbitero Virgilio Carlos Ferreyra" High School as main speakers at the ceremony.

Both Frei and Menem stressed the importance of education for their administrations and stressed the need to "train for integration" of the Latin American countries.

Frei has thus said that "the future of the next generations depends on education," and agreed with his Argentine counterpart that this area is one of the "top priorities" of his government.

Frei added that countries of the region "have no future in this global world if there is no chance for integration, for sharing experience and knowledge, and for facing the great challenges."

"Integration is achieved through people, through men and women of our earth, and that is what we have come to reaffirm here today," he said.

"Our countries have known not only how to achieve an increasingly more consolidated democratic constitutionalization, but recognizing the need to resolve the final pending border matters which we have been resolving through dialogue," he added.

"Chile and Argentina have maintained throughout their history the idea that support for a solid and sure future lies in respect for the committed word and the rights of others," he said.

Menem also stressed Frei's personality as "one of the pillars of Chilean democracy" and called him "son of a tiger, because his father was also president of Chile."

The Argentine president also recalled that "many times" he had to act as altar boy for Father Virgilio Ferreyra and that the latter had sent him letters "during the most difficult times of his life," referring to his arrest during the military dictatorship.

The dedicated establishment covers an area of 1600 square meters and has seven common rooms, three special ones, a sports center, a meteorological agrostation with seismography and a multipurpose room to which Menem gave the name of "Republic of Chile" during the ceremony.

After the dedication of the high school, the Argentine president gave a luncheon for his Chilean counterpart at the "Los Amigos" Inn of Anillaco, an occasion on which the presidents began to analyze aspects of the Chilean inclusion in a free trade zone of Mercosur [Common Market of the South].

At the end of the luncheon, the two presidents boarded the plane that took them to the federal capital.

Argentina: Chilean President's State Visit 'Historic'

PY2504063096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1920 GMT 24 Apr 96

[FBIS Translated Excerpt] La Rioja, 24 Apr (NA) — President Carlos Menem today termed Chilean President Eduardo Frei's state visit to Argentina — which he started today — "historic" because it will enable both countries to make strides in the establishment of a free trade zone between Chile and Mercosur [Common Market of the South].

Menem made some remarks at the local airport while he was awaiting the arrival of his Chilean counterpart. The Argentine chief executive labeled Frei "a man who works for Chile and Latin America, and one of the pillars of democracy in his country."

The head of state said that the visit of the Chilean president "will enable us to make headway in the subject of the passes in the Andes mountain range, particularly that of the Pircas Negras, so that we can have access to the Pacific Ocean, the commercial ocean par excellence, which will in turn boost economic activities in the entire region (La Rioja)." [passage omitted]

Argentina: Correction to Menem on Arms Sales, U.S. Report

PY2404174396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1443 GMT 22 Apr 96

[Corrected version of item originally filed as PY2204173096; explanatory note describes differences from initial FBIS version]

[FBIS Translated Excerpt] Buenos Aires, 22 Apr (NA) — President Carlos Menem emphasized today that "Argentina's image has not been tarnished" by the case involving arms sales to Ecuador. Concerning Defense Minister Oscar Camilion's alleged responsibility in this

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affair, Menem noted: "I am against passing judgment before the courts hand down a ruling."

Menem said this during a news conference at Government House this morning. He was accompanied by Media Secretary Raul Delgado and his closest aides. [passage omitted]

Regarding reports that Argentina had offered Iranian arms [correcting "Argentina offered arms to Iran" to "Argentina had offered Iranian arms"], Menem pointed out: "This concoction by some media is utterly absurd." He added: "Defense Ministry funds sometimes are not sufficient to pay salaries, let alone to purchase weapons and send them to Ecuador. This is impossible." [passage omitted]

Asked about a U.S. State Department report which emphasizes the Argentine Government's "favorable attitude," but criticizes the security forces' modus operandi and the courts' sluggishness, Menem said: "I do not agree with it."

Concerning the struggle against drug trafficking, Menem noted: "That report emphasizes our government's concern over this struggle." He admitted that funds for the struggle against drug trafficking "are scarce, but we will increase them as more funds become available."

Menem said: "This report is unrealistic." He emphasized: "The Armed Forces have no possibility of joining in the struggle against drug trafficking."

The president noted: "Unlike other countries in Latin America, where drug trafficking, guerrillas, and subversion occur together, their Armed Forces have to fight this scourge, it makes no sense for our Armed Forces to become involved here, where drug trafficking is not so serious."

Menem pointed out that, "if I assign a single soldier" to the struggle against drug abuse, "the entire community would be on me." [sentence as received]

Menem emphasized: "I say the opposite: There is efficiency, the job is being done well, and everything pertaining to drug trafficking is being dynamically fought."

Menem explained: "If the Air Force discovers an airstrip used for contraband, not just for drug trafficking, the Armed Forces immediately report this situation to the provincial police, the federal police, and the security forces." [passage omitted]

Bolivia

Bolivia: 'Continental Solidarity' With Paraguay Stressed

PY2404233596 Madrid EFE in Spanish 2150 GMT 24 Apr 96

[FBIS Translated Excerpt] Sucre, 24 Apr (EFE) — OAS Secretary General Cesar Gaviria today stressed in the Bolivian town of Sucre the great continental solidarity expressed during the military conflict that had threatened democracy in Paraguay.

Gaviria today made an unforeseen stopover in Sucre, 579 km south of La Paz, on his flight from Asuncion, where he traveled aboard the private plane of Bolivian President Gonzalo Sanchez de Lozada in light of the coup attempt by Paraguayan General Lino Cesar Oviedo.

In remarks to EFE, Gaviria said that the most important thing "is the great continental solidarity we have seen when incidents or problems have threatened democracy."

"The most recent case is that of Paraguay, where there was a massive mobilization of all presidents, of all foreign ministries, in support of the constitutional administration of President Juan Carlos Wasmosy," he said.

According to Gaviria, particularly important was the presence in Asuncion of the foreign ministers of Mercosur [Common Market of the South], but also the action of the OAS, which, for the first time, was direct, opportune, and personal.

Gaviria, who was in La Paz, traveled with urgency to Asuncion to support Wasmosy's democratic regime, threatened by the rebellion of former Army Commander General Oviedo. [passage omitted]

Brazil

Brazil: PSDB Convention Elects Chairman, Executive Board

PY2404123296 Sao Paulo AGENCIA ESTADO in Portuguese 2136 GMT 20 Apr 96

[FBIS Translated Text] Brasilia, 20 Apr (AE) — The PSDB [Brazilian Social Democracy Party] convention late this afternoon elected the new PSDB national executive board, which will be chaired by Senator Teotonio Vilela Filho (AL) [Alagoas]. The election of Vilela, who is not linked to any faction, has been instrumental in preventing a division within the PSDB because it preempted a dispute between two factions: The one led by Jose Anibal (SP) [Sao Paulo], leader of

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the PSDB bloc in the Chamber of Deputies; and the one led by Deputy Arthur Virgilio Neto (AM) [Amazonas].

To prevent the rift, Deputy Arthur Virgilio Neto was elected secretary general of the party. He will replace former Deputy Moema Sao Thiago (CE) [Ceara], who was serving as secretary general replacing Communications Minister Sergio Motta.

Herewith the composition of the new PSDB executive board:

Chairman, Sen. Teotonio Vilela Filho; first vice chairman, Deputy Arnaldo Madeira; second vice chairman, Deputy Carlos Moscon (MG) [Minas Gerais]; third vice chairman, Deputy Marcio Fortes (RJ) [Rio de Janeiro]; secretary general, Deputy Arthur Virgilio Neto; first secretary, Deputy Ubiratan Aguiar (CE); second secretary, Jose Xavier de Lucena (President Fernando Henrique Cardoso's private secretary); general treasurer, Senator Pedro Piva (SP); and first treasurer, Senator Carlos Wilison (PE) [Pernambuco]. The following officials will serve as full members: Governor Almir Gabriel (PA) [Para], Governor Mario Covas (SP), Governor Tasso Jereissati (CE), Governor Eduardo Azeredo (MG), Governor Marcello Alencar (RJ) [Rio de Janeiro], Governor Albano Franco (SE) [Sergipe], and Communications Minister Sergio Motta.

Brazil: Cardoso Likes Agrarian Reform Minister Idea

PY2404151196 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 24 Apr 96

[FBIS Translated Text] President Fernando Henrique Cardoso likes the suggestion by Contag [National Confederation of Farm Workers] for the appointment of a special agrarian reform minister.

Contag President Francisco Urbano went to Planalto Palace at the invitation of Secretary General Eduardo Jorge to explain his idea of a possible agrarian reform ministry. Urbano said President Cardoso has already decided to create such a ministry, although the method is still being discussed. The Contag president said the new ministry will be special, and that it will assume the functions of INCRA [National Land Reform and Settlement Institute]. Urbano said this would grant the agrarian reform a national status and detach it from the Agriculture Ministry. Urbano denied having received any invitation to become special agrarian reform minister

Presidential Spokesman Sergio Amaral reported on the night of 23 April, that the president of the Republic is willing to accept Urbano's suggestion but he will not create a special agrarian reform ministry and all its infrastructure, but will appoint a special minister to head the agrarian reform process in Brazil, and INCRA.

Brazil: Agrarian Reform, Coordination Ministers Named

PY2504112796 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 24 Apr 96

[FBIS Translated Excerpt] The administration has decided to implement a broader cabinet reshuffle than expected. Two appointments have already been made and a third one could follow. Reporter Alexandre Garcia has more:

[Begin Garcia recording] [passage omitted] During meetings held at Alvorada Palace, President Fernando Henrique Cardoso not only has confirmed the resurrection of the Agrarian Reform Ministry, but he has also decided to create the post of special minister for political coordination, to which he will appoint Deputy Luiz Carlos Santos of the PMDB — Brazilian Democratic Movement Party — who is the government leader in the Chamber of Deputies.

Industry and Commerce Minister Dorothea Werneck may replace outgoing Agriculture Minister Jose Eduardo Andrade Vieira. In this case, Deputy Francisco Dornelles of Rio de Janeiro would be appointed industry and commerce minister. Thus, the Brazilian Progressive Party, PPB, would get a seat in the cabinet. [end recording]

We are now going back to Brasilia to get a live update on the cabinet reshuffle. Alexandre Garcia, is it possible to know who will be the new agrarian reform minister?

[Begin Garcia recording] Yes. Confirming what Rede Globo announced earlier, a technical approach was taken to appoint Raul Jungmann as agrarian reform minister. Jungmann, who is serving as president of Ibama [Brazilian Institute for Environmental Affairs and Renewable Natural Resources] and who is closely linked to President Cardoso, has free access to leftist groups.

Deputy Benito Gama of the Liberal Front Party, Bahia, is mentioned as the possible new government leader in the Chamber of Deputies. Gama served as chairman of the CPI [Congressional Investigating Committee] on the P.C. Farias case. PMDB Deputy Aloysio Nunes Ferreira Filho, former vice governor of Sao Paulo, is also likely to be appointed to a government post.

Just in case, President Cardoso decided to postpone for one week a cabinet meeting scheduled for 27 April. [end recording]

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Planalto Palace, which initially refused to confirm the creation of the Agrarian Reform Ministry, ultimately confirmed the creation of the special minister for political coordination. As reporter Alexandre Garcia said, these reports were announced earlier this afternoon by Rede Globo. Regarding the possibility of other cabinet changes, presidential spokesman Sergio Amaral said that no offers have yet been made.

Brazil: Loyola's Departure Said To Require 'Timing'

96SM0256A Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 Apr 96 p 1

[Article by Claudia Safatle: 'Gustavo Loyola Will Leave Central Bank" — received via Internet]

[FBIS Translated Text] **Information leaks irritate Planalto Palace.**

Brasilia—Gustavo Loyola, president of the Central Bank [BC], is scheduled to visit Washington on the 19th of this month for the annual meeting of the IMF, which will continue until the 25th, according to an authorization published in the DIARIO OFICIAL. There is no hurry to replace him. What does exist is the decision that the command of the BC has reached the level of exhaustion and must be replaced. The implementation of Loyola's departure is an operation that requires "timing," a highly placed official source told JORNAL DO BRASIL.

Minister Pedro Malan cited the Minister-Chief of the Civilian Household, Clovis Carvalho, as another source, along with the president of the republic and the administration spokesman, who denies that Loyola is leaving. "There are only three reliable sources on this matter: the president of the republic, the minister-chief of the Civilian Household, and the minister of finance. So I confess that I don't understand that information coming from a highly placed source in the administration," Malan said.

Ximenes effect—"The situation is similar to what happened to Ximenes (Paulo Cesar Ximenes, currently president of the Bank of Brazil) during Itamar Franco's administration," recalled a high official in the administration who witnessed that process. At the time, Ximenes was president of the BC, and the controversy was over the idea of banning predated checks. It was only one more crisis among the many caused by the president of the republic's dislike of high interest rates. In the midst of the debate over whether or not predated checks were legal, Ximenes ended up leaving. According to that source, the picture today is the same.

"We in the administration are not managing to reverse that wave of permanent scrutiny of actions by the Central Bank. We are strengthening our full support for Minister Pedro Malan and the Central Bank. But this on-again, off-again business only helps destroy that effort," said one minister of state.

Salary increase—What makes the crisis at the Central Bank worse is not just the decision, approved by the National Monetary Council, to restructure the bank's salaries. That decision was announced to reporters by the bank's own director of administration, Carlos Eduardo Tavares, before being approved by the president of the republic.

Because of the way it happened, the announcement of salary increases at the BC irritated several sectors of the administration that are under pressure by civil servants to grant increases. Not to mention the expectations of an increase in the minimum wage, a subject that began to be discussed this month.

Banpara case—In addition, news of the existence of a file charging that money had been diverted from the Para State Bank (Banpara) by the then State Governor and now Senator Jader Barbalho was very badly received by President Fernando Henrique. Those consecutive news leaks by the BC are very irritating to the president.

Loyola considers it "meanspirited" to associate the leak regarding the Banpara case, which dates from 1992 and which many BC officials who are now retired know about, with a leak sponsored by his management of the BC. It happens that Barbalho is an important contact for Planalto Palace, and the existence of such a file, which is only now being made public, was considered untimely and inopportune. And it is happening precisely at the time when the administration needs its rank and file in order to guarantee the approval of reforms such as those affecting the administration and social security.

Brazil: IMF Official Views Banking System Problems

96SM0256B Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Apr 96 p 1

[Article by Paulo Sotero: "Economist Enumerates Difficulties in Reducing Public Deficit" — received via Internet]

[FBIS Translated Text] Washington—On Wednesday Michael Musa, director of the IMF's Economic Department, publicly expressed the concern about the Brazilian financial system which the successive bank failures over the past few months have been causing in official financial circles in Washington. "The problem in the banking system has already required a number of interventions by the government and may require more (interventions) at any time," the economist said as he

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enumerated the difficulties which the government has been facing in trying to contain and reduce the public deficit.

In the context in which it was made—during a press conference on the report *World Economic Outlook*, which the IMF publishes annually, Musa's statement did not come across as an ominous prediction. But it certainly reflected the doubts which the failures of Banespa [Sao Paulo State Bank], Banerj [Rio de Janeiro State Bank], Banco Economico, and Banco Nacional, coming as they did almost one after the other, have caused in international financial circles concerning the health of Brazilian banks.

"People know that the banking system has sufficient reserves to withstand jolts, but the fact is that the solution to the Banespa case and the episodes involving Banco Economico and Banco Nacional created a problem of credibility outside the country which is similar to that existing within the country," said a Brazilian official who closely monitors international financial organizations.

In his analysis of the Brazilian situation, Musa said nothing except what Minister of Finance Pedro Malan had already repeated a dozen times. "There is a quite broad and diversified range of problems in the fiscal area that are not easy to solve but whose solution is really essential in order to base the Brazilian economy on a better combination of policies and create a better foundation for sustained growth," Musa said.

In his opinion, the increase in the fiscal deficit and the political difficulties being experienced by the administration as it tries to move ahead with the reforms have forced the continuation of a tight policy to offset the increase in aggregate demand and avoid the danger of an overheated economy. "Interest rates went up, and the monetary policy won the fight in terms of impact on growth, with a considerable deceleration of the economy," said the economist who heads the IMF.

For example, the growth in GDP [gross domestic product] was 5.7 percent in 1994 but fell to 4.2 percent in 1995. The same trend will continue in 1996, according to the report published yesterday. The good news is that inflation will continue to drop—to a projected 13.7 percent per year. But that will happen largely at the expense of growth, which will fall to 3 percent and end up below the IMF's predicted worldwide average of 3.8 percent growth in GDP.

World Economic Outlook foresees progress in the external sector of the economy, with the deficit on current account dropping from 2.7 percent of GDP in 1994 to 2.2 percent this year. "What needs to happen in Brazil is a rebalancing of macroeconomic policy, with a reduction in the fiscal deficit that might permit a loosening of monetary policy," Musa said. "However, sizable political difficulties related to the constitutional reforms are obstacles to the achievement of a more balanced fiscal situation."

Brazil: Explosion of Public Sector Debt Viewed

96SM0256C Rio de Janeiro JORNAL DO BRASIL in Portuguese 19 Apr 96 p 1

[Article by Silvia Mugnatto: "Explosion in Deficit" — received via Internet]

[FBIS Translated Text] **Public sector spending has almost doubled, reaching 3.18 percent of GDP [gross domestic product], and those chiefly responsible are the Federal Government and the BC [Central Bank].**

Brasilia—The hole in the accounts of the Federal, state, and municipal governments is continuing to grow and to become a dangerous threat to the success of the Real Plan. According to data published yesterday by the Central Bank, the deficit in the public sector almost doubled during the first two months of this year in comparison with the average for 1995, rising from 1.68 percent of GDP to 3.18 percent. The largest amount was accounted for by the Federal Government and the BC, which had a combined deficit of 3.4 billion reals for the first two months of 1996, compared to 1 billion reals during the same period last year.

Besides the Federal Government, negative results by the states and municipalities also contributed to the higher deficit in the public sector. Last year the state and municipal governments accounted for most of the deficit: 1.7 billion reals. This year their share has fallen, but the need for financing—that is, the deficit—is up to 2.4 billion reals.

The only area in the public sector to achieve a favorable result this year was that of government-owned firms, which went from a deficit of 367 million reals in the first two months of 1995 to a surplus of 70 million reals in 1996.

The deficit (the difference between what is collected and what is spent) in the public sector as a whole jumped from 3 billion reals in the first two months of 1995 to 5.7 billion reals in 1996. Altamir Lopes, head of the BC's Economic Department, explained that most of the Federal Government's expenditure in January and February was due to holiday pay for civil servants.

Altamir emphasized, however, that the deficit has tended to drop in the months immediately following. Last year the deficit for the year was 33.4 billion reals for the

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entire public sector—the equivalent of 4.95 percent of GDP. In accumulated figures, the position through February in terms of the preceding 12 months had already exceeded that: 5.41 percent of GDP.

The public sector's total debt increased by 1.2 percent, rising from 217.4 billion reals in January to 220.1 billion reals in February. Once again, the government-owned firms showed good results, having managed to reduce their debt from 46.9 billion reals to 46.6 billion reals. The Federal Government accounts for 14.5 percent of the total debt, and the states and municipalities account for 11.4 percent.

Total government securities issued by the states and municipalities rose by over 7 percent during the first three months of this year to a total of 42.3 billion reals. Rio de Janeiro increased its securities debt slightly—to 5.5 billion reals—but the City of Rio de Janeiro reduced its issue from 1.2 billion reals in January to 1.1 billion reals in February.

Brazil: BC Loans for Ailing Banks Total R$6 Billion

96SM0256D Rio de Janeiro JORNAL DO BRASIL in Portuguese 19 Apr 96 p 1

[Unattributed article: "Proer Sets Record" — received via Internet]

[FBIS Translated Text] Brasilia—The Central Bank [BC] issued 1.1 billion reals in March to assist banks having cash problems and to lend money—as part of the program to help the banks (Proer)—to the Antonio de Queiroz Bank, now taken over by the United Bank. The issue for assisting the banks is the largest since July of last year, when the BC issued 2.78 billion reals before the intervention in Banco Economico.

With the 111 million reals now made available to the Antonio de Queiroz Bank, the total amount of money lent by the BC through Proer has risen to 6 billion reals. As soon as the BC releases the loan to Banco Economico, that total will come to 8.9 billion reals.

All that money made available to the banks puts pressure on the country's monetary base—that is, paper money in circulation plus bank reserves. In March, however, that base was reduced by 2.4 percent to 18 billion reals. According to Altamir Lopes, head of the BC's Economic Department, that change is seasonal and reflects a normal reduction in bank reserves.

The inflow of dollars and the National Treasury's accounts, which exerted a lot of pressure on the base during the first two months of the year, did not affect the results for March. Although it was not necessary to exchange a great many dollars for reals, the National Treasury did require an issue of 231 million reals, something that may reveal a new deficit in the public accounts for the month.

Brazil: Public Sector Debt Totals R$220 Billion

96SM0256E Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Apr 96 p 1

[Unattributed article: "Total Reaches 220 Billion Reals" - - received via Internet]

[FBIS Translated Text] Brasilia—The total debt of the public sector (Federal, state, and municipal governments) has reached 220.1 billion reals, or 32.9 percent of the gross domestic product [GDP] (the sum of all goods produced in the country). The federal securities debt set a new record in March, totaling 131.7 billion reals. That result means that indebtedness rose by 4.4 billion reals in a single month, since February ended with the debt at 127.3 billion reals.

Of the total of 220.1 billion reals, 97.2 billion reals are owed by the Federal Government and the Central Bank [BC] (corresponding to 14.5 percent of GDP). Another 76.3 billion reals (11.4 percent of GDP) are owed by the state and municipal governments, and government-owned firms owe 46.7 billion reals (7 percent of GDP). During the first two months of this year, the government's operating deficit (which includes real interest rates on the domestic debt) totaled 5.76 billion reals, meaning that there was an increase of 88.09 percent in comparison with the first two months of 1995, when that deficit totaled 3.06 billion reals.

The public debt rose at a slower rate last month. Altamir Lopes, head of the Central Bank's Economic Department, emphasized: "Clearly, there is now a trend toward a decline in those results." The government made a small improvement in its debt indicators. The 12-month operating deficit declined from 5.82 percent of GDP in January to 5.42 percent in February, the last month for which data are available.

The nominal deficit in the public sector as a whole, which ignores monetary correction, fell from 8.32 percent of GDP to 7.79 percent. According to the head of the BC's Economic Department, the biggest factors causing pressure and putting a hole in the government's accounts in January and February, "such as the payment of salaries and holiday pay for government employees, for example, have now passed."

Unlike the situation last year, those chiefly responsible for the accumulated deficit in January and February of this year were the Federal Government itself, which spent more than it took in, and the Central Bank, which recorded a loss. Together they accounted for 3.38 billion

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reals of the total. During the first two months of 1995, the states and municipalities were responsible for over half the deficit—1.67 billion reals out of a total of 3.06 billion reals.

This year the share accounted for by the states and municipalities totaled 2.44 billion reals, while the government-owned firms had a surplus of 70 million reals. Those securities were issued by the Central Bank and exchanged for state securities when the governments of the principal states—including Sao Paulo, Rio de Janeiro, and Rio Grande do Sul—began to have trouble rolling their debts over in the market.

With their debts too high, the problem being experienced by the states with the credibility of their securities (they must pay higher interest rates to sell those securities in the financial market) was solved by exchanging the state securities for those issued by the Central Bank. In accounting for securities debt, the government regards as actual debt 97.58 billion reals of the 131.7 billion reals recorded in March.

In 12 months' time, the balance in securities debt increased by 101.8 percent. But the actual debt in the hands of the financial market jumped even higher: 143.6 percent.

Brazil: BC Losses From Banco Economico Deal Unknown

96SM0256F Rio de Janeiro JORNAL DO BRASIL in Portuguese 19 Apr 96 p 1

[Article by Silvia Mugnatto: "BC Does not Know How Much It Will Lose on Banco Economico" — received via Internet]

[FBIS Translated Text] **The Senate is investigating remittances of foreign exchange by Excel.**

Brasilia—The Central Bank (BC) still has no idea how big a loss it will incur from the operation transferring Banco Economico to Excel. The BC hopes to pay off the 5-billion-real debt owed by that part of the Bahia bank still under its control by using assets of the former owners and credits (loans paid) of equal value which also remained under the government's control. The problem is that experts in the BC itself report that a good many of those assets have no value whatsoever.

Something similar is happening in the case of the 2.9 billion reals lent to Banco Economico by the BC as part of the program to assist banks (Proer). To guarantee repayment of that loan, the Bahia bank will give loans due from the government, among them the Compensation Fund for Salary Variations (FCVS), which is money the National Treasury owes to banks operating within the Housing Finance System.

Last Wednesday the BC's director of control, Claudio Mauch, said that Banco Economico would have to pay the loan with money earned from the sale of its assets. But since the BC's experts themselves say that the current assets will not even cover the deficit of 5 billion reals left with the BC, it is most likely that the government will absorb the guarantees. The only advantage in that case is that doing so will reduce the government's own total debt.

The experts explain that the Banco Economico debits and credits transferred to Excel were not included in calculating debts to the BC because those loans were made to the old Banco Economico. What this means in practice is that Excel received a good bank with the latter's network of branches and paid almost nothing in return. According to the experts, Excel took the Banco Economico credits on which a return is almost guaranteed.

As part of the 5 billion real credit remaining with the BC, advisers to Flavio Cunha, the BC's interventor in Banco Economico, explain that there are firms owned by the Economico group which may be sold to pay off part of the debt. The BC's experts in Brasilia believe, however, that those firms also have a good many debts, a fact that will hurt their sale.

Meanwhile, all those figures continue to be an enigma because the firms will not be appraised by the interventor until after Banco Economico's branches have been turned over to Excel, and that transfer is scheduled for the end of July.

Banco Economic controlled 29 companies, among them three finance companies, five firms in the agricultural sector, tourist agencies, and real estate companies. It also owned shares in another 13 firms. The most valuable firms are 11 or so companies in the petrochemical sector.

Summons—The Senate Committee on Economic Affairs yesterday approved a request by Senator Pedro Simon (PMDB [Brazilian Democratic Movement Party], Rio Grande do Sul) that Police Chief Joao Carlos Abracos of the Federal Police be summoned to explain charges that the Excel Bank had sent funds abroad illegally. Those remittances reportedly totaled $4 billion between 1991 and 1994.

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Chile

Chile: PPD, PS Grass Roots 'Unhappy' With Policies

PY2404122996 Santiago EL MERCURIO in Spanish 17 Apr 96 p C2

[FBIS Translated Excerpt] After acknowledging that PPD [Party for Democracy] grass roots are unhappy with the administration's social program — as reflected in opinion polls — PPD President Jorge Schaulsohn said the administration must "step on the gas" to stimulate social and labor reforms.

PPD militants are dissatisfied with the health, environment, and cultural policies. They believe important changes should be made along these lines.

Jorge Schaulsohn explained why the PPD grassroots are withdrawing their support from President Frei, as shown in poll results issued on 15 April by the Center for Contemporary Reality Studies (CERC). He said this is the reason behind the reduced support for the administration.

The CERC poll conducted between 13 and 25 March showed an important drop in the support of the left for the administration. Among PPD voters there was a 15 percent drop over the past six months, and in the Socialist Party the drop was 19 percent.

Schaulsohn revealed the PPD's disenchantment with those party militants who believe little has been achieved regarding these issues while the modernization and privatization of public companies has been expedited. He said this shows there is an imbalance in the government agenda. [passage omitted]

Chile: New Antidrug Group Created Within Carabineros

PY2504112996 Santiago LA TERCERA DE LA HORA in Spanish 18 Apr 96 p 31

[Article by Rene Zhigley Correa]

[FBIS Translated Excerpt] The OS-7 [Crime Prevention and Drug Control Department], which has done a good job in fighting drug trafficking and addiction, has legally ceased to exist as of today.

This decision should not alarm the population. On the contrary, the OS-7, which was only a specialized department, will become, as of today, the Narcotics and Crime Prevention Directorate [Direccion de Drogas y Prevencion Delictual] during a ceremony to be held in the 11th floor of the building on 80 Bulnes Street. General Ruben Olivares Rojas, who was the deputy chief of the Metropolitan Region, will head the new organization. [passage omitted]

General Olivares Rojas will be replaced by Colonel Eugenio Gabriel Belmonte Lafoy as acting deputy chief.

Commander Rodrigo Retamal Martinez, who headed the OS-7, will continue to carry out important tasks in the new organization as an expert on this m[illegible].

Colombia

Colombia: Government Expresses Support for Wasmosy

PY2304160296 Madrid EFE in Spanish 1521 GMT 23 Apr 96

[FBIS Translated Text] Bogota, 23 Apr (EFE) — The Colombian Government today expressed "concern" over events in Paraguay and confirmed its "solidarity" with Paraguayan President Juan Carlos Wasmosy and with democracy.

The Colombian Foreign Ministry issued a communique — of which EFE has a copy — which states that Colombia and Paraguay "have strong links of traditional brotherhood."

The communique says the Colombian Government "joins other voices in the hemisphere in rejecting any attempt to break the democratic continuity" in Paraguay.

The Colombian Foreign Ministry is convinced that "democracy is the best option to solve problems in our continent."

Colombia: Senator Holguin Surrenders to Authorities

PA2504032796 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 24 Apr 96

[From the "National" newscast; monitored from retransmission by Lima Sistema Unido de Retransmision Television at 0000 GMT on 25 April]

[FBIS Translated Text] [Announcer Maria Beatriz Echandia] Senator Armando Holguin Sarria has just surrendered to the authorities. Fernando Ramos reports.

[Ramos] Senator Armando Holguin Sarria arrived here at the National Penitentiary School in Funsa, Cundinmarca Department, minutes ago:

[Begin recording] [Unidentified reporter] At what time did Holguin surrender?

[Carlos Solorzano, director of the Technical Investigation Corps of the Prosecutor General's Office] An appointment was made for 1000, and the surrender indeed occurred at the agreed site; that is, at the Funsa Penitentiary School.

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[Reporter] Were there any problems?

[Solorzano] Not at all. He cooperated fully. Holguin's health is normal. He was turned over to the Supreme Court of Justice, specifically to Dr. Carlos Eduardo Mejia, who issued the arrest warrant. [end recording]

[Ramos] That was the director of the Technical Investigation Corps who just left Senator Armando Holguin Sarria at his new detention site.

[Echandia] Let's find out about who is Senator Holguin, who was arrested minutes ago.

[Begin recording] [Reporter] Lawyer and university Professor Armando Holguin Sarria made a name for himself during the 1980's as a member of the Board of Directors of the Club America of Cali. In 1986, after spending four years in this club, Holguin got involved in politics and was elected to the Cali City Council in which he promoted the creation of citizen groups to protect Cali. After spending a year on the council, the University of Valle granted him an honorary degree.

In 1990 Holguin was elected a member of the National Constituent Assembly. He made an unsuccessful attempt to become governor of Valle del Cauca Department in 1992 but did not give up, because Holguin was elected senator two years later.

In late 1995, Holguin and 56 other parliamentarians supported [words indistinct] to make illegal enrichment a minor crime, the reason why his investiture was questioned before the State Council, but he was finally spared.

On 6 February the Supreme Court of Justice summoned him for an inquiry for the alleged use of drug trafficking money in his 1994 political campaign. The high court found enough evidence to order his arrest. [end recording]

Colombia: Henao Arrested on Drug Trafficking Charges

PA2404151296 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 24 Apr 96

[Report by Fernando Mosquera, in Cali; from the "RCN Radio Events" newscast]

[FBIS Translated Text] The national police's Search Bloc arrested Jose Ancizar Henao, alleged drug trafficker from northern Valle del Cauca, in Cartago today. The Prosecutor General's Office wanted Henao for his alleged illegal activities linked to drug trafficking. The special joint command reports that Henao will be arraigned at the Cali Regional Prosecutor's Office in the next few minutes. The only available reports indicate that the authorities wanted Henao on alleged charges of illegal enrichment and other violations linked to his illegal activities.

Colombia: CGN Readies Statement on Political Crisis

96P20401A Santa Fe de Bogota EL TIEMPO in Spanish 24 Apr 96

[FBIS Translated Text] Members of the Council of Business Associations [CGN] will ask President Samper to contribute towards facilitating a resolution of the political crisis, respecting the mechanisms set forth in the Constitution.

The organization does not feel that an inhibitory resolution by the House of Representatives in the president's case would resolve the crisis. The council will also come out in opposition to a popular referendum and early elections.

The Solutions

According to three members of the council who preferred not to give their names, the organization is putting the finishing touches on a document that it will present to the president and to the country regarding possible ways of resolving the political crisis.

According to the same sources, the council's statement will be fully supported by all the entities comprising this organization. The council members have worked to reach the necessary consensus and to present a unified position to President Samper and the public.

The document will state emphatically, as the council has done on repeated occasions, that a rapid resolution of the political crisis is indispensible.

The same sources said that the business associations will present their position on an additional point: a possible decision by the House of Representatives to shelve [archivar] the case against the president would not resolve the crisis.

On the contrary, shelving the case would exacerbate the problem of governability.

Based on this diagnosis, the council will ask the president for his cooperation in finding a definitive solution to the crisis in conformity with the Constitution.

In addition, the council will express its opposition to a solution involving early elections or the holding of a popular referendum. Council members have reached complete agreement that resolutions such as these would be costly, unproductive, and wasteful for the country at a time when it is necessary to confront urgent economic and public order problems.

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The council members likewise agreed that a temporary leave of absence for the president is not a viable solution. The time for such a solution has passed.

Council members believe the solution to the crisis lies within the Constitution. However, the council has still not developed a unified position regarding the role which the vice president would play in a solution to the crisis. Some feel Humberto de la Calle should assume the presidency. Others feel it would be advisable for de la Calle to resign in order to allow someone else, named by the Congress, to take over the presidency.

In any case, the members of the council agree that, if the solution to the crisis means President Samper's resignation, it will be necessary to reach a large-scale national accord to support the new leader and to include the country in the resolution of the problems.

The Document

The statement by the business associations has been in preparation for several weeks. It is an extensive document which summarizes the principal milestones in the development of the political crisis and presents the private sector's position vis-a-vis the crisis.

The members of the council will meet today with Finance Minister Guillermo Perry to analyze the economic situation. Afterwards, they will concentrate on working on their document. As soon as it has been completed, they will request a meeting with the president in order to present it to him. According to council members, the main function of the document will be to present the business associations as legitimate interlocutors for the president in seeking a resolution to the crisis. For this reason, the suggestions will not be aggresive in tone even though they will have the firmness that comes from having the support of all the members.

Ecuador

Ecuador: Military Adopts Measures Against Guerrilla Entry

PY2404113096 Madrid EFE in Spanish
0032 GMT 23 Apr 96

[FBIS Translated Text] Quito, 22 Apr (EFE) — Ecuadoran Defense Minister Alfonso Alarcon today confirmed that Ecuadoran and Colombian government officials have adopted the "necessary measures" to prevent the entry of Colombian guerrillas into Ecuador.

The minister said that there is coordination between the Armed Forces of the two countries to "prevent any action by the Colombian guerrillas."

Control on the Ecuadoran-Colombian border was reinforced in view of the fear that the Revolutionary Armed Forces of Colombia (FARC) might be retreating toward Ecuador, following the attack they perpetrated a week ago in the border zone in which 31 Colombian soldiers were killed.

To fulfill this objective of control, Alarcon told the local press that "the Ecuadoran Armed Forces are working in coordination" with the Colombian forces "in accordance with the various agreements and talks" to avoid Colombian guerrilla actions.

The Ecuadoran zones where control was specifically reinforced are located adjacent to the Colombian sector of Puerres, where the FARC attack took place, an area that, according to official Colombian sources, represents one of the favorite zones of the rebels for their actions.

Ecuador: Presence of Peruvian MRTA Guerrillas Denied

PY2404112996 Madrid EFE in Spanish
2310 GMT 22 Apr 96

[FBIS Translated Text] Quito, 22 Apr (EFE) — The Ecuadoran National Police (PN) today denied the presence of members of the Peruvian Tupac Amaru guerrilla group, which, according to press reports, would have turned Ecuadoran territory "into a sanctuary of the Peruvian guerrillas."

PN Deputy Commander General Federido Mera said that "there is total control on the border with Peru, and there is absolute coordination between troops of the two countries." He thus denied the presence of members and leaders of the Tupac Amaru Revolutionary Movement [MRTA] in Ecuadoran territory.

Denying press reports from Peru, Mera said: "Up to this moment we have no report, and we are working with the Peruvian police, but there is no information nor a report by the Peruvian National Police."

The press reports said that Peruvian guerrilla leaders have turned Ecuadoran territory "into a true sanctuary" and that "several MRTA leaders are apparently hiding in Ecuador."

The report adds that the Ecuadoran PN "cooperates very little" with its Peruvian counterpart.

The Ecuadoran PN ruled out the presence of MRTA leader Nestor Serpa Cartolini in the country, and denied that he held meetings with terrorists Lori Berenson and Pacifico Castrellon a year ago.

"That is not true," Mera said, and added that "we are working continuously with regard to the country's internal security, and when we have a problem like that, we analyze it, we act, and, logically, we organize the respective operations."

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Although he declined to give further details, he said: "We will intensify the control operations anyway."

Ecuador: Businessman Admits Part in Arms Purchase Deal

PY2504113496 Madrid EFE in Spanish 2247 GMT 24 Apr 96

[FBIS Translated Text] Quito, 24 Apr (EFE) — Ecuadoran businessman Roberto Sassen van Elsloo, chairman of the Prodefensa company, acknowledged today that he was "co-partner" in the arms purchase deal for Ecuador during the war with Peru in 1995. He also said that "high-ranking Argentine military officers" were also aware of the deal.

Speaking today to the "Ecuavisa" television network, Sassen van Elsloo said: "Since it has already been made public by General Jorge Ortega (chief of the Ecuadoran Armed Forces Joint Command), I believe it is appropriate for me to admit at this time that in some way I did have some participation to be able serve my country when this was requested of me."

He added: "The materiel was negotiated with Military Industries [FFMM] (owned by the Argentine Government) official representatives, which, as I have certified, I am certain is the Hayton Trade company, represented by Argentine Colonel Diego Payers, retired."

Sassen van Elsloo stated that the chairman of a company that represents another "is always in contact with top-ranking authorities, in this case with the FFMM director and deputy director."

Sassen van Elsloo stated that at the time the FFMM director "was Doctor Luis Sarlenga and the deputy director was Colonel Gonzalez de la Vega."

Furthermore, he confirmed the information reported by the Buenos Aires newspaper CLARIN which states that the materiel negotiated encompassed 8,000 rifles and their respective ammunition, which were destined for the Ecuadoran reserves.

Sassen van Elsloo said: "Sixty-two percent of the merchandise arrived, but 38 percent could not be shipped due to the scandal that was unleashed, and it was detained in Argentina."

The Ecuadoran businessman said that one of the gun shipments arrived in the tropical city of Guayaquil, 420 km southwest of Quito, but it was rejected "because it arrived late."

Sassen van Elsloo made these remarks merely one day after General Ortega publicly identified Prodefensa as the company that negotiated the importing of guns during the war that Ecuador and Peru waged from 26 January to 28 February 1995, when there was an arms embargo on the two countries.

In a statement to EFE, Sassen van Elsloo attributed to Ortega's "weariness" the fact that he hinted that Prodefensa was the company involved in the arms deal. He also "guaranteed" that the general would retract himself within a couple of hours.

After insisting that his company "is not involved and the only person who can assert this is the chief of the Joint Command," Sassen van Elsloo said: "I can guarantee that he will rectify his words because he is wrong. In view of the special situation of the last few days, he was unable to determine the exact name of the company and mistakenly concluded that it was Prodefensa."

Although he assured EFE today that he has never had any commercial dealings with Argentine military companies "either as Prodefensa or as Roberto Sassen," he did acknowledge to "Ecuavisa" having personally participated in arms transaction deals in 1995.

Ortega made the statement hours after Sassen van Elsloo had warned the Argentine Government that he would file a suit against it if it was unable to prove charges against Prodefensa.

After stating that "he would do whatever is necessary" because the case has affected the company's image before its suppliers, Sassen van Elsloo said: "I demand that the Argentine Government rectify itself" because there are no documents involving Prodefensa.

Paraguay

Paraguay: New Army Commander Delmas Accepts Assignment

PY2404151296 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1225 GMT 24 Apr 96

[Speech by Division General Oscar Rodrigo Diaz Delmas at his inauguration ceremony at the First Corps Headquarters in Mariano Roque Alonso — live]

[FBIS Translated Text] Your excellency Juan Carlos Wasmosy, Armed Forces commander in chief; OAS Secretary General Cesar Gaviria; Division General Silvio Rafael Noguera, Military Forces commander; ambassadors; Division General Lino Cesar Oviedo; Navy Commander Vice Admiral Carlos Lopez Moreira; Air Force Commander Cesar Rafael Cramer; generals; national and foreign authorities; defense attaches from friendly countries; ladies and gentlemen.

In the presence of the illustrious president of the Republic and Armed Forces commander in chief, I

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assume the honorable responsibility bestowed upon me with the ennobled conscience of a soldier whose unwavering principle is to fulfill all directives from his superiors with honor and the honesty and iron will that the circumstances demand.

I commit my most eternal gratitude to the commander in chief for my designation to the high post of Paraguayan Army commander. I do not assume this position with arrogance, but with the characteristic humbleness of a Paraguayan soldier who is conscious that he cannot elude responsibilities when the fatherland calls upon him. Great is my responsibility in replacing a military chief whose constant concern was the well-being of his troops.

It is also worth noting that the unreplaceable principle and goal that guides our steps was and will always be the search for a better future for the fatherland. Indisputable proof of these principles are the loyalty, firmness, and effort we always try to achieve when fulfilling our duty. This is how we fulfill a duty that the dear land where we were born demands.

As a soldier, at this very solemn moment when I assume this post, I pray to God and the Holy Virgin asking them to moderate the souls of all Paraguayans and guide them toward the path of understanding, harmony, and mutual tolerance — the only recourse possible to find the greatness and well-being of all fellow countrymen without discrimination.

I also pay my respects to all other Army branches whose members, with high military spirit, will know how to do their utmost for the greatness of our institution, to benefit the country and for the satisfaction of our commander in chief.

Only a respected and institutionalized Armed Forces can conform a real guarantee for the Paraguayan people. I express my sincere recognition to Army General Silvio Rafael Noguera, commander of the Military Forces, with my best wishes that he will continue to preside over our institution with his characteristic prudence, intelligence, and capacity. I have had the honor of working with him and have become very well acquainted with his virtues.

I express sincere gratitude to my wife and children who have always accompanied me in all the missions I was commissioned to fulfill. Without their valuable moral and spiritual support everything would have been difficult for me.

I reiterate my most fervent loyalty, spirit of service, and admiration to your excellency, President Juan Carlos Wasmosy, Armed Forces commander in chief, under whose intelligent directives I will continue to render my loyal cooperation with effort and total dedication to my institutional duty. I admire his constant concern for our fatherland's destiny. From the highest position in the land he always considers the best for our dear Paraguay. Thank you.

Paraguay: Oviedo Letter to Wasmosy Requests Retirement

PY2404153996 Asuncion Radio Nanduti in Spanish 1414 GMT 24 Apr 96

[Letter of request to President Juan Carlos Wasmosy by Division General Lino Cesar Oviedo, former Army Commander, for retirement from Army; read by station anchor]

[FBIS Translated Text] I have the honor of addressing your excellency, the president of the Republic and commander in chief of the Armed Forces of the nation, with the purpose of expressing what follows:

During my long military career I have had the opportunity to serve numerous posts, crowning my career with the honorable post of commander of the Paraguayan Army, which I am currently serving. I wish to point out my participation in the heroic deed of 2-3 February 1989 [the coup that ousted Alfredo Stroessner] as a soldier of democracy. In my capacity as citizen, on this magnificent opportunity, I reiterate my unwavering loyalty and support for the democratic institutions and my full respect for the juridical and constitutional order of the Republic, especially for the legitimately constituted authorities. Having fulfilled all the necessary requirements for this purpose I respectfully request your authorization to enjoy the benefits of retirement from the Armed Forces.

I especially thank the commander in chief for all references, consideration, and friendship with which I have been honored and which have allowed me to do my job as commander with great satisfaction and success. I also want to mention that I have had the happy experience of you being my first civilian commander in chief, a duty which you discharge in an exemplary manner with great dynamism and high moral values that allow your subordinates to serve you with loyalty and admiration.

Signed: Division General Lino Oviedo.

Paraguay: 'Indignation' of People Toward Oviedo Noted

PY2404153696 Asuncion NOTICIAS in Spanish 24 Apr 96 p 6

[FBIS Translated Text] The people's strongest show of support for President Juan Carlos Wasmosy were

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transformed, on 23 April, into a generalized feeling of indignation and rejection for the apparent appointment of Lino Oviedo as defense minister. This appointment, however, seems to face legal difficulties.

The disappointment of our fellow countrymen who went to Lopez Palace to encourage and support the president, as well as the disappointment of those who had supported him from their homes, has flooded the streets and surpassed all expected limits. No one could understand the decision adopted by the head of state. During the afternoon and at night protest demonstrations against the president became more intense and numerous. In 24 hours, the president went from being a hero to become a villain.

Very rarely can adjectives be used in newspapers articles, but this time the Paraguayan people's indignation justifies breaking the rules. The disappointment of 23 April, which hangs in the air, has left sad marks in our history.

When the people massively supported President Wasmosy, who finally had the courage to set aside the much feared General Lino Oviedo, everything seemed to indicate that the incident would have a happy end. The roses of the Lopez Palace gardens, which had never been trampled by anyone during the current administration, were crushed by thousands of Paraguayans who added their cries, flags, and a great deal of hope to the cause being defended by the first civilian president of Paraguay [in the past 40 years].

People who have spent years vociferating against Wasmosy left their convictions and disagreements aside and took to the streets to support his administration and grant their most decisive support for democracy.

Not for a second did anyone foresee that the fresh taste of victory would become a bitter a few moments later, when Paraguayan politicians confirmed the rumor that Oviedo would go on the retirement list, but at the extremely high cost of being appointed defense minister.

The people could not understand on 23 April, and still cannot understand, the real motives behind the decision to award the position of minister to a person who so often violated the National Constitution instead of defending it as he should have. Most people thought the impressive support showed by the international community would have been enough to enable us to get rid of Lino Oviedo.

Workers, professionals, store owners, entrepreneurs, and even members of the presidential staff received the news with astonishment. Everyone thought, at first, the news was a bad joke, but the rumor was soon confirmed and this has left us all confused, without knowing well what kind of country we live in. The people swiftly changed their feelings and began to reject the decision on every street corner.

Not even media representatives were left out of the feeling of generalized disappointment. Even reporting the facts seemed to have become almost useless, but the importance of making the truth known makes us continue.

Paraguay: Wasmosy's 'Contradictions' in Crisis Viewed

PY2404160496 Asuncion ABC COLOR in Spanish 24 Apr 96 p 12

[Editorial: "Extreme Contradictions in Presidential Actions"]

[FBIS Translated Text] Had yesterday's announcements remained unchanged today, General Lino Cesar Oviedo's status would have passed, within merely 48 hours, from that of a rebellious officer "who rose up in arms against the authority of the Armed Forces commander in chief and against the republican and democratic institutions" to that of defense minister.

The Paraguayans' ability to endure surprises, which is certainly a huge ability, has been significantly overwhelmed by yesterday's presidential decision — which undoubtedly was made by negotiation — to appoint Gen. Oviedo to this post, as Engineer Wasmosy yesterday noted that Gen. Oviedo's rebelliousness was "extremely serious" and that Gen. Oviedo "had to take full responsibility for these acts that represent an affront to the Republic and to the international community." As already reported, Engineer Wasmosy also considered Gen. Oviedo had risen against his authority and against our country's institutional system.

With this background, the vast majority of our population cannot understand President Wasmosy's latest decision, if we may call it one.

There are certain attitudes, however, that raise doubts and prompt a closer review of this case. The U.S. Government noted on 22 April that "Gen. Oviedo's refusal to obey the president's order represents a direct challenge to the constitutional order of Paraguay," but yesterday, after the final outcome became known, "it hailed President Wasmosy's courageous actions to preserve the democratic and constitutional order of the nation."

Apparently, the extreme contradiction that we, the ordinary citizens, notice in presidential actions is being shared by the United States. We believe this extreme contradiction is also being shared by Apostolic Nuncio

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Msgr. Baldisseri and by Paraguayan politicians like Dr. Domingo Laino [Authentic Radical Liberal Party leader], Senate President Milciades Rafael Casabianca, and others.

Obviously, there must have been negotiations and the solution involves a transaction; that is, the two sides made mutual concessions for the sake of ... peace, personal interests and ambitions, or silence?

If this is the case, the president would have managed to prevent part of the Army — the Cavalry, at least — from contending with other sectors of the forces of order; thus lives, the constitutional order, and Engineer Wasmosy himself, would have been saved. Oviedo would have preserved his possibilities of becoming a political figure. He could become a constitutional presidential candidate in 1998.

Nevertheless, Engineer Wasmosy's so-called victory, which might be more significant than we can perceive now, may have been a Pyrrhic victory.

The people who followed or supported Wasmosy on 22 April, not so much for himself, but for what he represented, have lost their confidence in him. His credibility, which was low before, has dropped even more and this has been projected internationally.

Many civilians, as well as military and police personnel who were even ready to fight, now will think it twice before again taking such an attitude. Now it is obvious the civilian government can still be contradicted by the military brass: the transition has not ended. Lawfulness is extremely weak: it is possible to quickly pass from being a rebellious officer to a minister.

In politics, however, the final outcome is usually far more important. Now we ponder, but time will definitively tell.

Paraguay: Commentary on Development of Crisis

PY2404181996 Asuncion ABC COLOR in Spanish 24 Apr 96 p 13

[Unattributed commentary: "The 'Black Box' of the Crisis"]

[FBIS Translated Text] A single very powerful reason must have convinced President [Juan Carlos] Wasmosy to radically change his mind and replace the Army commander [General Lino Cesar Oviedo]. There could be thousands of reasons, but there must have been a very strong one that forced the president not to fulfill his words before the entire world's careful attention.

There is a sort of consensus that a coup d'etat would not be viable. Therefore, Gen. Oviedo's pressure could not have been based on the classical collapse of an elected civilian government for a painted-face [in reference to a group of Argentine military rebels] to take over, but on political blackmail.

But blackmail could only be rightfully supported by irrefutable evidence of some crime that could cause the president to surrender his post, let alone the possibility of entering a penitentiary.

To believe that such evidence could prove the existence of a fraud does not mean absolutely anything at this moment, as the political class endorses and supports the political process and is not willing to run any risks of the unpredictable consequences of impeachment.

The alleged existence of evidence of corruption in Itaipu [dam project] would be the only reason to cause Wasmosy to recant and place himself in an almost ridiculous position. This would be a shady deal that could make top-level people in Paraguay and Brazil jump and represents a good reason for remaining silent, tolerating humiliation, and even seeming ridiculous.

As Oviedo cannot aspire to retain the Army commander's office, after all the events that have occurred, and is not in a position to give up his political aspirations, Oviedo asked for the post of defense minister, without going into retirement, which is legally not viable and which, therefore, could have elicited massive reaction by the cabinet and a worse crisis.

The prospects, therefore, involve a pragmatic solution to the Oviedo case in the military area, but a worsening of the political crisis. The prospective scenario would involve days of massive and permanent protests.

The dates for general strikes would be moved forward and acts of repudiation against President Wasmosy would multiply. Then people would start asking for his resignation until his presence at Government House would become unbearable. Vice President Angel Roberto Seifart could not emphatically mark a difference between him and President Wasmosy because he is immersed in an electoral campaign where he is hanging from the government's tail coat and will be dragged along by the crisis until he also resigns.

Thus, the eventual downfall of the government will be the consequence of a wearing out by popular pressure and not precisely as the direct consequence of the military factor. The great winner, without a doubt, would be Luis Maria Argana, who curiously enough, during this civilian-military crisis maintained a profile way below the levels of his usual aggressiveness.

Under this theory, Oviedo has a free hand to conspire politically against Wasmosy and it would not be strange if he were to become one more follower of Luis Maria

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Argana, as other generals who went into retirement in the past have done.

What at the beginning appeared as a recovery of citizens' support for the government performance through a measure that had broad acceptance among the people, as it involved the replacement of General Lino Oviedo, could become the main reason for friction and frustration.

Overnight, the Oviedo case turned from a source of love to a source of hate. What could have been the main factor of popularity and finally of acceptance of a worn out presidential figure has now become the main reason for disgust and rejection of the executive branch.

Everything boils down to Oviedo using his "secret weapon" in complicity with some politician at the appropriate moment. Those who fish in trouble waters and the growing discontent for government inaction in the face of social demands — which will be easily exited by proof of corruption — will take care of the rest.

Paraguay: 'Some Cabinet Ministers' Reportedly To Resign

PY2404212396 Asuncion ULTIMA HORA in Spanish 24 Apr 96 p 6

[FBIS Translated Excerpt] "Some announcements will be made in the coming hours," was the brief answer Industry and Commerce Minister Ubaldo Scavone gave to reporters off the record this morning when he left Government House, where he had gone accompanied by [Justice and Labor] Minister Manuel Morales and [Public Works and Communications] Minister Carlos Facetti to allegedly discuss work matters.

Scavone thus confirmed that some cabinet ministers would tender their resignations. Moreover, the three ministers, who met with Miguel Angel Maidana Zayas, secretary general of the Presidency, left the meeting with serious expressions on their faces and with clear gestures of disgust, since at first they tried to avoid the press.

The official statement the industry and commerce minister made was quite different, since he claimed that the worst (of the military crisis) is now over. Scavone said: "There is no crisis at present. I do not know where that information originated. We are not entitled to give our opinion about the appointment of [former Army Commander General Lino Cesar] Oviedo, because that is the president's prerogative. Nobody has voiced disagreement with this measure." [passage omitted]

Paraguay: Role of Army 'Firepower Superiority' Viewed

PY2404164596 Asuncion NOTICIAS in Spanish 24 Apr 96 p 12

[FBIS Translated Text] The obvious Army firepower superiority, and the complete lack of negotiation by the presidential team with the intermediate level of the Infantry and Cavalry units to neutralize them, seem to be the reasons why President Juan Carlos Wasmosy gave in over separating General Lino Cesar Oviedo from the de facto power he has held since 1993. The institutionalists of the Armed Forces, the Navy and the Air Force, do not have the firepower of the Cavalry and the Infantry, which are were never fractured.

The accumulation of combat forces and equipment under the Army as well as the blind subordination of his commands to General Lino Cesar Oviedo Silva allowed him to win another victory in this new uprising.

Despite the full support of the Paraguayan people, the consensus of the international democratic community, and expressions of solidarity by national and international organizations, President Juan Carlos Wasmosy took a step back in his effort to separate the rebel general from this de facto power for good. Instead of separating him from his post and trying him for rebellion, he offered him the Defense Ministry because it was the easiest way out of the crisis.

This was made in light of two clear situations: the real firepower supremacy of the Army over the forces loyal to the democratic institutions (the Navy and the Air Force), and the complete lack of negotiation by military strategists of the president with the intermediate commands of the Cavalry and the Infantry with the idea of breaking the alleged "strong unity" of the Army forces from its commander.

The Army has about 2,000 infantrymen; the armored units (15 "Stuart" track vehicles, 22 "Urutu" combat cars, and 35 "Cascabel" tanks), antitank weapons (RPG 9 and others), and heavy antiaircraft artillery. On the other hand, the Air Force and the Navy together only have 500 soldiers (parachutists and marine infantry), a dozen incendiary projectiles ("Napalm" bombs), fighters (four "Xavante"); and a light firepower. So, what could be done?

The commanders loyal to the rebellion are:

1st Corps Commander General Santiago Zaracho Frucades.
2d Corps Commander General Pedro F. Torres Martinez.
3d Corps Commander General Eligio Torres Heyn.

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1st Cavalry Division Commander General Luis Salomon Julian Riego
2d Cavalry Division Commander General Antinio Dejesus Martinez.
3d Cavalry Division Commander General Cesar Ferreira Sanchez.
1st Infantry Division Commander General Cirilo Velazquez Steger.
2d Infantry Division Commander General Odalio Palacios.
3d Infantry Division Commander General Luis Ferreira Garbini.
4th Infantry Division Commander General Samaniego.
5th Infantry Division Commander General Calixto Moral Ortega.
6th Infantry Division Commander General Escobar.
Chief of Engineer Command General Pablo Manuel Idoyaga Viera.
Chief of Communications Command General Eulogio Rodriguez.
Chief of Artillery Command General Mario Gomez de la Fuente.

The commanders loyal to the democratic institutions are:

Navy Commander Vice Admiral Carlos Guillermo Lopez Moreira.
Naval Aviation Commander Rear Admiral Ramon Ocampos Alfaro.
War Fleet Commander Rear Admiral Manuel Royg Benitez.
Marine Infantry Commander Captain Miguel Angel Candia.
Air Force Commander General Cesar Rafael Cramer Espinola.
Aerotactics Group Commander General Mario Livio Espinoza.
National Police Commander General Mario Agustin Sapriza Nunes.

Paraguay: Oviedo Gives Farewell Speech To Soldiers

PY2404145296 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1217 GMT 24 Apr 96

[Speech by outgoing Army Commander Division General Lino Cesar Oviedo during the inauguration of Division General Oscar Rodrigo Diaz Delmas, new Army commander, at the First Army Corps Headquarters in Mariano Roque Alonso — live]

[FBIS Translated Text] Mr. president of the Republic of Paraguay and commander in chief of the Armed Forces of the nation, Engineer Juan Carlos Wasmosy; Your Excellency, OAS Secretary General Cesar Gaviria; commander of the military forces Army Division General Silvio Rafael Noguera; your excellencies, Messrs. ambassadors; Navy Commander Vice Admiral Guillermo Lopez Moreira; Air Force Commander Division General Cesar Cramer; generals; admirals of the nation; national and foreign authorities; Messrs. defense attaches of friendly countries; ladies and gentlemen; dear soldiers:

Deeply moved and with a great desire to serve, I hand over the Army commander to Division General Oscar Rodrigo Diaz Delmas, illustrious comrade-in-arms, dear Carlos 4 [his radio call sign during the 1989 coup d'etat], whose fruitful career as a soldier is a true example of loyalty and desire to serve in the fulfillment of his duties. Therefore, I am strongly convinced that this dear institution, to which I have devoted all my efforts, will continue to fulfill with honor the role it plays within the Armed Forces. I leave my post with the satisfaction of having fulfilled my duty, after having worked with great affection for the professional upgrading of the glorious Army.

Commander in chief, in honor of the illustrious olive green uniform and as a lasting homage to those heroic soldiers that filled it with glory, I wish to say that, in my capacity as soldier, I have always served as best as I could convinced and certain that this is the only way to serve the Armed Forces best. Posterity will judge our actions and history will judge our contributions to the grandeur of the fatherland.

Paraguay, the cradle of brave men, is also the source of strong hopes reflected in its citizens' desire to struggle. Within this context, the nation of these soldiers... [changes thought] who are subjected physically and spiritually. Therefore, society must express its appreciation for its military fellow countrymen.

No fair and democratic society can overlook the role military men play for the sake of a country's grandeur, peace, and security.

With these reflections, that are based on the experience I have gathered over so many years of service within the Armed Forces, I place my determination and desire to work at the service of the nation and the armed institutions in whatever combat post my superiors my assign me to.

I am strongly convinced that I will always know how to do my job with dignity and in a humble manner, as is only appropriate for those who, trained in compliance with the tradition of the Guarani warrior, have done so.

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Generals, commanders, subordinates, non-commissioned officers, military personnel, and dear conscripts of the Army. Before the fatherland I loyally pledge my everlasting gratitude to you for helping me to fulfill my duties. I will cherish having being your commander within the Army as one of my best memories.

As I wish Division General Oscar Rodrigo Diaz Delmas the best of luck in his new post, I also want to express my gratitude to the commander in chief for his confidence in me to fulfill this difficult task of heading the glorious Paraguayan Army. Thank you very much. [applause]

Paraguay: 'Unofficial' Reports on Oviedo Appointment

PY2404160796 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1233 GMT 24 Apr 96

[Commentary by reporter Manual Cuenca from 1st Army Corps Headquarters in Mariano Roque Alonso during inauguration of new Army Commander General Oscar Diaz Delmas — live]

[FBIS Translated Excerpt] We have two reports about General Lino Cesar Oviedo becoming defense minister.

One states he will not be sworn in tomorrow and that the Armed Forces' promotion board will meet in the next few days to decide whether or not to retire him, after which he will assume as defense minister.

Another source close to the former Army commander told us Gen. Oviedo will be sworn in tomorrow as defense minister. [passage omitted]

According to a government source that chose to remain anonymous, Gen. Oviedo will not be sworn in tomorrow as defense minister. However, a source close to Oviedo stated that he will, in fact, be sworn in at 0900 [1300 GMT] at Government Palace. We will try to obtain official information on the subject because most of our reports are unofficial and only generate rumors and doubts. [passage omitted]

Paraguay: Spokesman Denies Oviedo Appointment

PY2404185396 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 1600 GMT 24 Apr 96

[Relay by Angelica Galeano from Congress]

[FBIS Translated Excerpt] Chanting patriotic slogans and songs, but in a peaceful manner, a group of youths marched to Government Palace. Amid a commotion that at times threatened to end in a clash with the police, the youths were received by the press under secretary of the presidency [Edward Bogado].

[Begin recording] [Unidentified youth] We came to Congress after learning that the president would not be here. We came to deliver a message, through you, his secretary, saying that youth — who act like this for the first time in three years — want three [as heard] things: We want Oviedo behind bars, we disagree with his appointment as minister.

[Bogado] There has been no appointment for the time being. I just want to inform you.

[Youth] Not yet, but there is a strong rumor.

[Second Youth] Until yesterday, according to the president, Oviedo was going to go to jail. We want him sent to jail. Whether or not he is minister, jail is where he should be. We believe Wasmosy, for ethical reasons, should resign. He has no ethical standards. He had to resign. He is making us look ridiculous, especially ...[changes thought] ...first, before the people and also before the foreign media and people. It impossible for a dwarf only 1.20 meters high to have the entire country by the neck. This, in the first place. Second, we want to continue demonstrating here.

[Bogado] Well, the ideal thing would be for you not to get carried away by rumors. Wait one minute and I will finish answering you. I refer to rumors circulating now about a swearing in ceremony here today. There will be no such swearing in ceremony.

[Youth] Are you sure?

[Bogado] It is certain there will be no swearing in today. There is no official information in this regard. Therefore, I ask you now to strongly reflect on the significance of your demonstration, on the volume of energy you have so the country may continue the democratization process, towards a full, complete, and conscientious liberty. I would also ask you, on behalf of the president of the Republic that — as he told you yesterday — to go home because the responsibility is his, to await wherever you like, because this is a free country, until the government discloses the decisions it has taken. [end recording]

The presidential spokesman disclosed more information about President Wasmosy's trip to the interior of the country.

[Bogado] He is going to take a rest right now and will continue meditating on....

[Youth, interrupting] [words indistinct]

[Bogado] Well, as you know, a level of dialogue that has once again strengthened democracy has been reached.

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[Youth] [words indistinct]

[Bogado] Well, when I say rest I mean recover energy and try to design a new strategy to be able to go to the front line again.

[Youth] Is there a decree naming General Oviedo?

[Bogado] No, there is no decree. [end recording]

Paraguay: Vice President Reviews Domestic Situation

PY2404221096 Lambare Paraguay Radio Cardinal in Spanish 1720 GMT 24 Apr 96

[Interview with Angel Roberto Seifart, vice president and head of the United Colorado Party faction, by Radio Cardinal anchorman Victor Benitez in studio — live]

[FBIS Translated Text] [Benitez] Here is our guest for today: Dr. Angel Roberto Seifart. How are you, Doctor?

[Seifart] Very well.

[Benitez] How are you holding up, my friend?

[Seifart] One hundred percent.

[Benitez] One hundred percent, huh.

[Seifart] I may be financially broke, but I am holding up one hundred percent.

[Benitez, laughing] I really do not know which of the issues we should start with. This is like the recipe for Paraguayan corn bread; one does not know where to start. Let us begin by talking about Colorado Party elections, which is what we had invited you for initially, and then we will tackle the Lino Oviedo subject. The internal party elections are still on for Sunday, 28 April, right?

[Seifart] Yes sir. Everything is moving smoothly; we are now in the final stages of preparation for the elections, so at last we are going to conclude this lengthy and difficult electoral process within our party.

[Benitez] Could we say that at this time there are no legal impediments to these elections on the grounds of an alleged state of turmoil prevailing in the country?

[Seifart] Well, as we lawyers say, only something beyond our control....

[Benitez, interrupting] Wouldn't the current situation qualify as something beyond one's control?

[Seifart] As far as I understand, the conditions for the elections are right. I do not believe there could be any further obstacles. I believe that all this anxiety we have gone through lately is gradually easing up. Therefore, I believe that conditions are now right for holding these elections, that not only the Colorado Party, but the entire nation has been awaiting for much too long, because to tell the truth, the repercussions and the consequences of the delay of Colorado Party elections are jeopardizing the country's political process.

[Benitez] Could your support for the president of the nation in his decision to replace Lino Oviedo as commander of the Army and retire him cause Oviedo's supporters not to vote for you but rather for Luis Maria Argana, Blas N. Riquelme, or somebody else.

[Seifart] Of course. I do not believe that it will make much of a difference, however, because the Oviedo-Riquelme faction, fortunately, does not have all that many votes.

[Benitez] It is not a decisive number of votes, you mean?

[Seifart] It is not decisive. Moreover, I understand that the faction has been dwindling for some time now because as the leadership of the Codem [Democratic Coloradism] lost touch with its grass roots, the latter joined other factions. Most of them joined the United Coloradism, and any people the Oviedo-Riquelme faction may have, well.... They will figure out which way to run.

[Benitez] Aha. Well, we already know the position of the United Coloradism faction about recent events: It does not agree, but it accepts the decision of the president of the nation to appoint, if he ever does, Gen. Oviedo as defense minister. Personally speaking, however, what is your opinion about everything that happened recently, Dr. Seifart?

[Seifart] Well.... Personally speaking, I agree with the communique that the United Coloradism released yesterday. As staunch champions of the institutional order, we must comply with the president's orders, but as citizens, politicians, and members of the Colorado Party, we have the right to disagree, and obviously we stongly disagree with any project whatsover to appoint as a cabinet member a military officer who openly refused to obey the orders of the commander in chief of the Armed Forces, shaming our country in the eyes of the international community and inflicting anxiety and concern on the people. Taking all this into account, our position is firm and inflexible, and we truly hope it does not happen.

[Benitez] Coming from the vice president of the nation, this phrase — we hope it does not happen — opens up a series of doubts. What will happen? Will he be appointed minister or not? Does the president have.... [changes thought] In fact, he seems to be hesitating already because O[illegible]do's installation should have taken

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place at 1100 local time [1500 GMT], and we do not even have the decree appointing him.

[Seifart] That is correct. This decision is up to the president alone because he has the right to choose the members of his cabiet. President Wasmosy, however, may find the political cost of this appointment too high to pay, so we will just have to wait for a few days to see what happens.

[Benitez] Has the United Coloradism faction ceased supporting the administration just over this matter, or does it want to take a step away from the Wasmosy group?

[Seifart] No. This is the only issue on which we openly and publicly disagree. This does not mean that we are withdrawing our political support from the administration — not at all.

[Benitez] You continue to support the administration?

[Seifart] Of course, most certainly. The United Coloradism faction is the political base of President Wasmosy's administration and we propose to remain as such. The only exception is that we do not support the appointment of a rebel general, a seditious general, to the cabinet. It is too huge a paradox to swallow, and a mockery [ludibrio] of the administration and the people.

[Benitez] What is the meaning of mockery [ludibrio], Doctor?

[Seifart] Well, it means a shameful occurrence, you know.

[Benitez] Aha.

[Seifart] Let us, therefore, hope that the country, the administration, and the Colorado Party will be spared the bitter pill of this appointment.

[Benitez] What do you think the correct stance would be in this case? That is, in addition to sending him into retirement, which apparently was already done, and considering the fact that there was a general who had been in a state of rebellion, who had broken the institutional order, who had imposed conditions, and who had tried to blackmail the president of the Republic to force him make a decision, what would be the correct thing to be done in this case?

[Seifart] The answer is not easy, Victor. We know that to defend the fatherland, to defend freedom, and to defend the loftiest values, we must often accept bloodshed. We can find thousands of examples of this in mankind's history, and the crossroads are often inevitable. The situation of the president is difficult, because he exerted an effort to avoid a bloodbath against the blackmail of force and violence imposed by a military officer who is in charge of the nation's weapons, and who is aiming these weapons at the institutions and the legally constituted officials, and at the people. Thus, he has all the necessary elements to blackmail, something which is unacceptable from any point of view. Now, of course, we must look for the best paths and the shortcuts to avoid confrontation and a bloodbath in the crude situation of an imposition like that; we must seek an alternative to such a bloodbath. So, it is not easy to make a decision as president of the Republic. I understand President Wasmosy's stance very well. Of course, the president will make the necessary meditation and make a decision. This decision will be his entire and exclusive responsibility. It can be shared or not, but obviously it is not easy, because the people want to avoid a bloodbath, but on the other hand, they also demand just punishment for the subversive officer. It is not easy to find a happy medium because things become very difficult when we have to avoid a bloodbath and also impose a just punishment, and adopt the adequate measures as commander in chief and as president of the Republic. The situation is very difficult.

[Benitez] Dr. Seifart, what is the appropriate legal step to be taken now? General Oviedo is just a former general, and he has not been designated defense minister yet; that is, there is no decree yet designating him minister. I want to ask you this, as the lawyer that you are, although I am sure you cannot leave aside your position as vice president of the Republic and as candidate for the Colorado Party presidency. Legally, what can be done in these cases?

[Seifart] Well, we must see whether the crime of sedition has been committed, whether he assumed a position of rebellion and subversion, and in fact that did happen. Of course, with that position the blackmail took place. The president was forced to take action in the manner expected by Gen. Oviedo. Of course it is up to the judicial officials to determine whether the crime of sedition was committed. That is a matter the Attorney General's Office and the criminal judges must determine. That is the situation from the legal point of view.

[Benitez] In fact, the Authentic Radical Liberal Party Youth today already submitted a petition in this regard, and there are other sectors who will submit the same request. The United Colorado Party Faction youth will also submit a request. I have heard Hugo Estigarribia Jr. saying that he would also submit a request to the Attorney General for an investigation. I have heard, in addition, that a judge had already ordered pre-trial proceedings. That is, is that the step that must be taken?

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[Seifart] That is right. I think a judge has already ordered pre-trial proceedings, as I was told this morning.

[Benitez] Yes, and unfortunately I have to ask you about this, Dr. Seifart, and not only about the internal party elections, because you cannot be deprived of your role as vice president. Was there a moment when you were asked to submit your resignation? I am asking this because it was mentioned at a given moment that one of the conditions imposed by Lino Oviedo to avoid a bloodbath was the resignation of the president and the vice president of the Republic, and that there was a formal offer to Congress President [Milciades Rafael] Casabianca to assume the presidency.

[Seifart] Engineer Wasmosy told me he had received, through an intermediary, the request for our resignations, those of the president and of the vice president, and that according to the constitutional succession order, the Senate president would assume power, and that Gen. Oviedo endorsed that solution. Of course, I told Engineer Wasmosy that I was categorically opposed, that as far as I was concerned, they could put that thought out of their minds. Of course, one of the roles of a politician is to face risks and dangers, as in this case, and I was not going to accept blackmail so easily. But it is true that these notifications had been conveyed through third parties.

I also understand that that is what Oviedo told Laino and Senator Campos Cervera [Authentic Radical Liberal Party, PLRA] and [Senate President Rafael] Casabianca [National Encounter Party, AEN]. He told them to obtain our resignations [Wasmosy's and Seifart's], and he would then help Casabianca become president of the Republic.

This means that the Colorados of Gen. Oviedo were about to give out power to the opposition through a coup d'etat, overthrowing a Colorado president. That is Gen. Oviedo.

[Benitez] As a Colorado, what is your opinion of the attitude of that sector of the opposition? There were two clear political positions in favor of the institutions: That of the United Colorado Party faction, which summoned the people to the Colorado Party headquarters in defense of the institutions, and which went with flags to Mburuvicha Roga [presidential residence], and that of the AEN, which, led by Guillermo Caballero Vargas and Carlos Filizzola, also defended the institutions. The PLRA only yesterday summoned its people to go to the streets, after having attempted to carry out shady negotiations with Lino Oviedo, after trying to see how they could settle things, after trying to see if they could place Campos Cervera or the president of the Chamber of Deputies [as heard] in the presidency. As a Colorado, what is you opinion about this?

[Seifart] I do not have firsthand knowledge about what exactly was discussed during the meeting among Oviedo and Laino and Campos Cervera. Of Casabianca's meeting I only know that such was Oviedo's proposal.

Now, to what point Laino, Campos Cervera, and Casabianca accepted or were willing to accept, I cannot say. However, evidently, their own fellow party members became indignant and refused to accept any possibility of carrying out a coup d'etat against Wasmosy at the price of obtaining the presidency for Casabianca with the support of the PLRA. If Laino and Casabianca accepted or intended to accept this proposal, evidently it forced them to rethink the whole situation.

[Benitez] Was the situation really negotiable? Could somebody ask what can be done? Or was the option to obey the orders of the commander in chief and nothing else? This is a case in which the institutions have to be respected.

[Seifart] Evidently. But there are always "friendly mediators," people who offer to intercede in this kind of situation. Logically, as a matter of principle, the main point is that the Constitution and the powers of the president must be respected. This is not negotiable. It cannot be negotiable because if we begin granting concessions, then the whole legal and social order will begin to crumble. Therefore, it is a very delicate matter and one cannot give in easily in this kind of matter.

[Benitez] A last question. Let us talk about the internal Colorado Party elections. Would the attitude of the president of the Republic have been different if he had been Angel Roberto Seifart and not Juan Carlos Wasmosy?

[Seifart] I do not want comparisons to be made here of what I would have done and what Wasmosy did. But perhaps I would not have acted in that manner. I would have not given Oviedo the opportunity or time to react as Engineer Wasmosy has given him with so much generosity and indulgence.

[Benitez] Let us go back to the internal election issue. Why would one vote for the United Colorado Party faction at this time when the situation has markedly changed? We should now talk about before and after Oviedo's rebellion. At this time, what would the Colorado Party win and what would it lose if the United Colorado Party faction won? I should ask rather what would it win, because I do not expect you to say that it would lose anything.

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[Seifart] Let me tell you that nothing has changed. On the contrary, we have remained coherent to the line laid out from the beginning by the United Colorado Party faction, precisely that of reemphasizing the ideals and principles upheld by the Colorado Party....

[Benitez, interrupting] The political scenario, shall we say, may have changed.

[Seifart] There is a complete coherence between our discourse, the platform we are promoting for the Colorado Party, and the position we have adopted at this juncture. Thus, nothing has changed as far as we are concerned. It is a simple question of being coherent.

[Benitez] Well, what would a Colorado member expect to win by voting for the United Colorado Party faction, or what would the Colorado Party win if the United Colorado Party faction won the internal election?

[Seifart] In the first place, the Colorado Party will be vindicated in terms of regaining its political pride and its political dignity and, logically, it would acquire much better chances for continuing to govern the nation, through democratic procedures, at this new political stage. The United Colorado Party faction can also instill confidence, security, and tranquillity to the Colorado members that, through its leaders, the Colorado Party will legitimately retain power for years to come.

[Benitez] How long has the United Colorado Party faction been working to organize for the election, because it will now be necessary to deliver voters' lists, to transport people, to spend money....

[Seifart] That is right. Well, material resources have always been a limiting factor for us. Although we do not have at hand all that we wished to have, we feel we have enough. We believe we are well organized. At this time, we are making the final arrangements and we are very optimistic. Frankly, we are certain that we will win, and that we will have a resounding victory on 28 April. We are very confident about this.

[Benitez] So is [Colorado Reconciliation Movement leader Luis Maria] Argana.

[Seifart] Perhaps, but we are much more confident.

[Benitez] Why are you so confident? Prominent members of your faction have time and again said that you are going to win. Why are you so sure? Argana has repeatedly said the same, but we have become accustomed to that. Yet, this optimistic line is rather new for members of your faction.

[Seifart] The United Colorado Party faction was formed and organized about eight.... [corrects himself] nine months ago. From the very beginning, it has steadily grown and attracted new members to the point that now we know that ours is the largest Colorado faction. We have achieved this thanks to the credibility of our leaders, to the level of excellence of our leaders, because the best Colorado leaders have gathered in the United Colorado faction. This is an indisputable fact. They have been attracted by our political line and, ultimately, by the optimism, the strengh, the hope we are conveying. In sum, we have won Colorado voters over.

I believe that the Colorado rank and file, the prominent Colorado leaders who are members of the United Colorado Party faction, have been instrumental in achieving all this. Because there are no independent groups of voters within the Colorado Party, most Colorado members would still follow their leaders. Prominent Colorado leaders are members of the United Colorado faction.

We are also noticing this in the rallies, and meetings we are organizing. Thus, the task here is to be able to make all these voters report to the polling places on 28 April. I believe this will mark a turnaround in the concept about politics that has thus far prevailed within the Colorado Party because we plan to modernize our party, we plan to take unprecedented steps to prepare it and to organize it for democratic contentions. I believe the time has come to do this if we are to stay in power, because much remains to be done. We have urgent commitments, especially the issue regarding registration of voters at the national registration list, the revamping of the party finances, the reorganization of the Colorado youth groups, the structuring of women's organizations — which has been promoted by the United Colorado faction. You may have noticed that Colorado women have found and rapidly occupied a space within the United Colorado Party faction, and this has been like the awakening of a tremendous political force in light of the role played by Colorado women in partisan activities.

We could say the same about the youth. Since the time of the Colorado Youth Central Committee, there have never been so many young people participating in a political movement as is now happening within the United Colorado Party faction. The enthusiastic presence of young Colorado members within our movement is also another phenomenon that is not taking place in the other factions.

[Benitez] Is there a virtual non-aggression pact with Argana?

[Seifart] But you....

[Benitez, interrupting] Because nowadays when you ask Argana about Seifart, he only has wonderful things to say about you. I just wonder whether....

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[Seifart, interrupting] Well, as you are well aware, the United Colorado Party Faction has always upheld a firm, open, but respectful stance. Why is this? Because if we truly believe in our proposal, that is, the unity of the ANR within the framework of dissension, dialogue, and respect for the opinion of all fellow party members no matter their views, we naturally must stand by our word and respect all our fellow party members.

If there is a schism in the ANR and it is unable to rally its electoral force for the upcoming municipal elections and the succeeding national elections, we will be dislodged from power. To avoid this, we have to promote an atmosphere of political coexistence in which tolerance and respect are the basis of party coexistence. This is what we preach and what we practice. I reassert that this is, therefore, a matter of consistency. This is nothing new because we have never been disrespectful toward anyone. It goes without saying that we are intransigent and firm in upholding our convictions, particularly when we have to defend our principles.

[Benitez] Except when pigs fly?

[Seifart, laughing] Victor, I always say: He who says what should not be said is subject to hearing what he does not like to hear. There are always exceptions to the rule, of course.

[Benitez] Former [in Guarani] General Lino Cesar Oviedo is now eligible to enter the political arena. I am convinced that this was the sole purpose of his recent antics. Do you consider him to be a respectful and fearful rival? Will he come to be an important ANR figure, or....

[Seifart, interrupting] Well, if while in uniform and on active duty he showed a strong inclination toward politics, I doubt that his political vocation will disappear now that he has retired. It is almost certain, therefore, that we will have him in the political arena, and he is welcome to it because now Gen. Oviedo will be able to show us his political virtues.

[Benitez] I have the feeling he has already done so.

[Seifart] Yes, he has shown them, but with a very negative result. We hope, therefore, that now he will be able to show the positive aspects of his political abilities.

[Benitez] I want to go back to the other issue because I cannot ignore it. Is it true that he is under arrest?

[Seifart] Who?

[Benitez] Oviedo

[Seifart] No, at least I am not aware of it.

[Benitez] Nor have any orders been issued to this effect?

[Seifart] No, I am not aware of it. Absolutely not.

[Benitez] Can you ascertain that as of today, a new situation prevails in Armed Forces-executive branch ties?

[Seifart] Of course. The only obstacle, or sore point as we say in our native language [previous phrase in Guarani], in the ties between the Armed Forces and civilian power was the constant outbursts that Gen. Oviedo made at all levels. But I believe this will put an end to all these outbursts because the entire Armed Forces have expressed a firm institutional vocation. I believe, therefore, that as of today, the Paraguayan people will again respect their Armed Forces.

[Benitez] Are there any chances that we might again have another problem with Oviedo's successor, who expressed his loyalty for Oviedo instead of republican institutions....

[Seifart, interrupting] Absolutely not....

[Benitez, interrupting] This Diaz Delmas....

[Seifart, interrupting] I categorically do not think such a thing will happen. Moreover, I do not understand why you allege that he was loyal to Oviedo and not to republican institutions.

[Benitez] He expressed support for his commander at all times. He even went to the extent of stating before the press that he would assume the post whenever his boss told him so, his boss being Oviedo, and he looked at him when he said this.

[Seifart] Really? Well I am not aware of this incident, but as far as I know and believe, Gen. Diaz Delmas is an institutionalist and an officer who is respectful of hierarchy, of his superiors and of the commander in chief.

[Benitez] What you are saying, then, is that the relations between the Armed Forces and civilian power have changed as a result of this new Armed Forces structure?

[Seifart] I am certain of it. Well, not with the Armed Forces, with the Army....

[Benitez, interrupting] Yes, the Army....

[Seifart, interrupting] The Army as an Armed Forces branch, because the other branches of the Armed Forces never had any problems in their relations with the commander in chief.

[Benitez] What is that Lino Oviedo has that is so terrible? What documents or information does he have that are so terrible that it is always said Wasmosy can never do anything because he is afraid to put his foot

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into it? It is said that Lino Oviedo had made him win the internal elections of the Colorado Party. Supposedly Seifart must know something about this, because the ticket was Wasmosy-Seifart. What is it that he has that makes people so afraid of him?

[Seifart] Well, the evidence is that Wasmosy now took action and the blackmail did not work this time....

[Benitez, interrupting] Does Lino Oviedo have Wasmosy's signed resignation? It was said that Wasmosy had resigned.

[Seifart] Absolutely not. Do you mean Wasmosy's resignation?

[Benitez] Yes.

[Seifart] No, by no means.

[Benitez] That early morning on....

[Seifart, interrupting] No. It is true he was asked to resign, but it is not true that he had signed his resignation. There was an attempt to make him resign, and as Wasmosy told me, they also wanted my resignation. But that did not go beyond a notification, as you might call it. But Wasmosy at no time whatsoever signed his resignation. That is a lie.

[Benitez] Well, I do not want to take too much of your time, Dr. Seifart, but people want to know Seifart's opinion on this particular situation we are living through today. If you have to give public advice to the president of the Republic on this matter, what would you tell him right now, Dr. Seifart? I believe the president is taking time to reflect and meditate. He went to his farm; I do not know to which of them....

[Seifart, interrupting] Obviously, I would tell him to make a mature decision because the political cost, in terms of dignity, will be very high, especially if he includes Gen. Oviedo in his cabinet. I was told that the two congressional chambers will make a statement this afternoon, expressing opposition to the possibility of designating Gen. Oviedo. I was told that Wasmosy's entire cabinet will resign em masse if this happens.

Concerning the pre-trial inquest proceedings, I was also told that this morning a judge signed an order for pre-trial inquest. This means that the cost of a decision of that nature is unacceptable. Thus....

[Benitez, interrupting] And in line with that, the whole world seems to be laughing at us at this moment.

[Seifart] That is probably true. So, President Wasmosy will have to make a mature decision. We hope he will do the right thing.

[Benitez] At what time do you think the United Colorado Party faction will announce its victory on Sunday, Dr. Seifart?

[Seifart] Surely after and not before the elections.

[Benitez, laughing; in Guarani] But is it true that you will win? I do not believe that you will win.

[Seifart, in Guarani] We will win.

[Benitez, in Guarani] But Argana was seating here and he said the same thing: We will win.

[Seifart, in Guarani] We will win, and we are going to win by a large margin. I can assure you of that.

[Benitez, in Guarani] But now you no longer have Oviedo to cheat in your favor.

[Seifart, in Spanish] Notwithstanding the fact that he is not the only cheater.

[Benitez] Of course, and much less within the Colorado Party. [laughs] What is your favorite soccer team, Dr. Seifart?

[Seifart] Olimpia.

[Benitez, in Guarani] Olimpia. And our team's situation is bad. We hope our national team will make us react positively tonight.

[Seifart, in Spanish] Yes, but we cannot win all the time and run the risk of having no more opponents.

[Benitez] That is true. But thanks for your presence here, Dr. Seifart.

[Seifart] Thank you, Victor, and I am always available. Have a nice day.

[Benitez] Thank you very much.

Paraguay: Opposition Parties on Possible Impeachment

PY2504054796 Asuncion Radio Nanduti in Spanish 1745 GMT 24 Apr 96

[News conference by Domingo Laino, president of the Authentic Radical Liberal Party, PLRA, and Guillermo Caballero Vargas, leader of the National Encounter Party, AEN, with unidentified reporters; place not given — live]

[FBIS Translated Text] [Caballero Vargas] You must have already heard PLRA President Domingo Laino read the communique. I want to transmit calm to our fellow countrymen. They must know that the democratic forces are united at this moment of crisis. I think that this is a moment for uniting forces to overcome this difficult

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test our democratic transition is going through. We therefore summon all our fellow countrymen to remain in permanent mobilization, to remain totally alert in face of the possibility of the subversion of the constitutional order of the Republic. This emergency committee that is being created here right now promises to remain in permanent session to monitor the situation and the development of events, and to make our best effort to prevent the violation of the constitutional order of the Republic. Thank you.

[Reporter] Have you held any contact with the Colorado Party, or at least with the opposition faction of the Colorado Party?

[Caballero Vargas] There has not been time to talk with anyone because events developed so quickly that thus far we only had time to meet here, as you can see, with Laino to constitute this integrated political committee that will, from now on, be the pivot of all the actions of our country's democratic opposition forces.

[Laino] Since this meeting is a very spontaneous gathering, a short while ago we spoke with the president of the Febrerista Revolutionary Party, Sanchez Villagra, who will soon arrive here, as well as with the president of the Christian Democracy, Miguel Angel Montaner. I want to inform you that they will also be invited to participate in this committee.

[Reporter] The Colorado Party president said that opposition parties are also partly responsible — he even mentioned your name and that of the Senate president. He charged that during the talks with General Lino Oviedo, you had sought to negotiate the resignations of the president and vice president. Is this true or [words indistinct]

[Laino] I categorically deny that either Mr. Casabianca, in my presence.... [changes thought] During our conversation with Gen. Oviedo in the 1st Army Corps command, never was it suggested at any time that the resignations of the president and vice president of the Republic be requested. On the contrary. When we were there with Gen. Oviedo I read the manifesto of the PLRA, in which we reiterate that we totally respect the national Constitution and the law. Therefore, I categorically deny the statements made by Mr. Sanabria Cantero.

[Caballero Vargas] I want to add something to this. I want to tell you that Mr. Casabianca has told me this is a solution that could certainly not be implemented without previously passing through the sieve of the Senate and the Chamber of Deputies. It is not enough for the president and vice president to resign to allow the president of either of the two houses to immediately become president. Congress must reject or approve their resignation first, to allow either the president of Congress, the president of the Chamber of Deputies, or the president of the Supreme Court of Justice to head the presidency.

[Reporter] Apparently, the appointment of Gen. Oviedo as minister is already signed. What can you say about this?

[Caballero Vargas] We are precisely rejecting and warning against it. And we suppose that the Chamber of Deputies and Senate, during their special sessions today, will categorically reject the appointment of Gen. Oviedo as national defense minister. I think that such rejection will be categorical enough to make the president of the Republic evaluate well the risks that insistence upon his decision will imply.

[Reporter] AEN President Carlos Filizzola this morning said that in face of this [words indistinct] an impeachment of the president of the Republic will be sought because Wasmosy has reviewed his initial position and offered Gen. Oviedo a ministry. What is the position of the PLRA regarding this point?

[Caballero Vargas] Let me clarify something first.

[Laino] Certainly.

[Caballero Vargas] I was also at Congress square and I made the following statement. I said that in case the president of the Republic really appoints Gen. Oviedo as defense minister, he would incur a situation that would make him plausible of being submitted to impeachment by Congress. I think Filizzola made similar statements. But we have not yet adopted a definite position in this regard because he has not yet been appointed minister.

What must be done now is to warn the citizenry about this subject. Congress will meet this afternoon and it will probably warn the president of the possible consequences that this decision will entail. Then this committee, comprised of the presidents of the parties, of the congressional bloc leaders, will follow up on the course of events to continue making decisions on the subject.

[Laino] As for my party, the PLRA political committee met last night, and decided to issue the declaration made public then. As for the impeachment of the president of the Republic, the political committee of the PLRA did not even mention this subject. Therefore, this subject was not discussed by my party.

[Reporter] What is your opinion about it?

[Laino] I want to first consult on this with the political committee of my party because, naturally, I want to express the opinion of the PLRA, as there is no interest in my particular opinion.

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[Reporter] Are the opposition forces planning a general mobilization?

[Caballero Vargas] Well, we are planning to carry out one on 27 April. The place and time must yet be decided. This committee will decide the place and time. We are planning a great national mobilization to precisely express our repudiation of the course events and to demand that our authorities rise to the occasion and strictly respect the Constitution and the laws.

[Reporter] Don't you think that it will be too long for that to happen?

[Caballero Vargas] I do not think so. The citizens are mobilized. I think that the people will continue gathering in front of Congress. I think that organizing a great march requires a minimum of organization. Therefore, we need these three days to hold a massive demonstration to express our repudiation and to support our Constitution and laws.

Paraguay: Opposition Rejects Possible Oviedo Appointment

PY2404190396 Asuncion Radio Nanduti in Spanish 1745 GMT 24 Apr 96

[FBIS Translated Text] Here we have urgent news: Domingo Laino called to say something in representation of the political opposition:

[Begin recording] [Laino] I, in representation of the Authentic Radical Liberal Party [PLRA], and Guillermo Caballero Vargas, president of the National Encounter Party [PEN] [as heard, Carlos Filizzola was elected PEN president last weekend], in the name of their respective political associations:

First: To reject the decision of the president of the Republic to designate General Lino Cesar Oviedo as defense minister;

Second: To exhort the citizenry to unite in a great national civic movement and to publicly express its repudiation of such a measure, which once more endangers our democratic institutions;

Third: To create a joint political commission to recommend the adoption of all necessary political measures to guarantee the defense of democratic and republican institutions.

Signed: Guillermo Caballero Vargas and myself. [end recording]

Paraguay: Wasmosy Approves Oviedo's Retirement

PY2404193296 Asuncion Radio Nanduti in Spanish 1841 GMT 24 Apr 96

[Relay by EL DIA journalist Estela Acosta with anchorman Oscar Acosta from EL DIA offices — live]

[FBIS Translated Text] [Oscar] We have a last minute report from the daily EL DIA. Journalist Estela Acosta has this report for us. Estela, good afternoon.

[Estela] Good afternoon Oscar. The decree retiring Division General Lino Cesar Oviedo has just been signed... [changes thought], that was signed yesterday, but we received it about 30 minutes ago and it says:

Decree No. 13099. The retirement of Division General Lino Cesar Oviedo Silva from the Armed Forces' permanent cadres is hereby approved.

The decree is dated 24 April and states that in view of Gen. Oviedo's note dated 24 April and of resolution 1120-96 of the commander in chief of the Armed Forces of the Nation, which was submitted to the Defense Ministry, requesting his resignation from the permanent cadres of the Armed Forces of the nation, in compliance with Article 138, Clause A, Article No. 139, Clause A, of Law No. 847, dated 8 December 1980, the president of the Republic of Paraguay hereby decrees:

Article 1. To approve the retirement of Division General Lino Cesar Oviedo from the permanent cadres of the Armed Forces of the Nation.

The decree is signed by the president and the defense minister.

We are at a site from where I cannot talk for very long but I wanted to tell you, Oscar, that the president's meeting with the commanders of the different Armed Forces branches has ended and Gen. Oviedo was notified about this decree a few minutes ago. He is at his residence.

Paraguay: Senator Says 'Bloodbath' Danger Prevails

PY2504001896 Lambare Paraguay Radio Cardinal in Spanish 2335 GMT 24 Apr 96

[Report from Congress building by reporter and anchorman — live]

[FBIS Translated Text] [Anchorman] Maria Teresa, what happened with that meeting among Senators [Juan Carlos] Galaverna, [Milciades Rafael] Casabianca, and Sebastian Gonzalez Insfran?

[Maria Teresa] They quickly returned to the hall of sessions in the Senate and they are now participating in the

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session. They have expressed their tremendous concern because things were not developing well, not well at all. Their faces were very disturbed, especially in the case of Juan Carlos Galaverna, who was very nervous and confronted some Senate officials, reprimanding them because of lack of Senate utensils. He was very upset.

Later he went into a meeting behind closed doors with Casabianca and Gonzalez Insfran. The latter had told us before that there was a serious danger of an armed confrontation and of a bloodbath. That possibility was still pending, and he was very much concerned about it. He said that the only thing that could stop this was for President Wasmosy to sign the designation of General Lino Cesar Oviedo as defense minister. He also said that all citizens should come to this place to support him, and that international pressure was also important.

Paraguay: Senators Said To Discuss 'Imminent' Uprising

PY2504002896 Lambare Paraguay Radio Cardinal in Spanish 2345 GMT 24 Apr 96

[Report by Maria Teresa Lopez from Congress]

[FBIS Translated Text] We have learned from reliable sources that senators today discussed the imminent threat of an armed uprising in a secret session held here today. We have been told that this was the issue discussed during the session. One lawmaker who asked not to be identified said that although they did not know whether the uprising could materialize, they had discussed the subject.

In sum, we have been told that at this brief secret session, the senators were alerted about the possibility of an armed uprising.

Paraguay: Politician Says Coup Could Take Place 'Tonight'

PY2504003396 Asuncion Radio Nanduti in Spanish 2355 GMT 24 Apr 96

[Interview with former independent presidential candidate Ricardo Canese by unidentified reporter in Asuncion — live]

[FBIS Translated Text] [Reporter] We are talking with Ricardo Canese about what is going on. What is your opinion of this?

[Canese] Well, we are really very worried because we received confidential information that a coup d'etat against the democratic institutions would take place tonight. I have spoken with several congressmen who are convinced that they must begin impeachment proceedings against the president. He was the first one to reward those who rebelled against the Constitution and he has laughed at those who defended the Constitution, like the Navy, the Air Force, and the National Police.

I think that the constitutional order must be reestablished immediately and I think — I am convinced — that the vice president of the Republic will put things in order in this country.

It cannot be that the president rewards those who violate the Constitution. He is rewarding the subversives, the rebels. This is really worrisome. I think that the people will decide the validity of the Constitution. I ask all the people, no matter what party they belong to, to come here to Congress tonight. This will be a key night, and if we have thousands of people in front of Congress, it will be very difficult for Lino Oviedo to bomb Congress.

[Reporter] The situation is quite tense then?

[Canese] It is very tense. Why? Because it is said that Lino Oviedo has to be sworn in tomorrow and dawn is the best moment for staging a coup. It is that simple. Therefore, it is really a tense and serious situation. According to trustworthy information we have, a coup could take place tonight.

Therefore, I ask the citizenry to come here tonight. I ask workers, students, businessmen — everyone — to come to Congress to defend the institutions.

[Reporter] Thank you.

Paraguay: Deputies Approve Declaration on Institutions

PY2504014396 Asuncion Cerro Cora Sistema Nacional de Television Network in Spanish 0000 GMT 25 Apr 96

[Report from the Central Bank, where the Chamber of Deputies currently temporarily holds sessions, by Silvia Carvallo — live]

[FBIS Translated Text] Activities have concluded here after the Chamber of Deputies approved a declaration in support of the democratic institutions and the legally constituted authorities. The deputies urge — they changed the word demand to urge — the judicial branch to judge General Lino Cesar Oviedo for alleged crimes violating the civil and military penal codes.

I must point out an incident that took place earlier tonight between Colorado Deputy Ismael Echague, from the Oviedo faction, and two journalists from Radio Cardinal and Nanduti, respectively.

Echague accused the radio stations of lying, but the truth is that he was generating a lot of rumors in the Chamber of Deputies. In the end, the rumors were just that — mere words. He was saying that tanks would

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come from the 1st Army Corps, and asked us why we didn't send reporters to verify this. He then denied everything when we put a microphone in front of him. With the microphone he was live on the air through the radio stations. Therefore, he really showed a cowardly attitude. This attitude shows a poor image of Deputy Echague. He simply attempted to manipulate the media so that we repeat like parrots that there were people about to attack us.

In the end it was a very regrettable and sad attitude on the part of this deputy.

Paraguay: Senate Statement Rejects Oviedo Appointment

PY2504004996 Asuncion Radio Nanduti in Spanish 0015 GMT 25 Apr 96

[FBIS Translated Text] In a special session that has just concluded, the Paraguayan Senate approved the following statement:

Article 1. The Senate hereby states its commitment to safeguarding the Constitution and the laws.

Article 2. Pursuant to this commitment, the Senate expresses its indignation and disapproval over the possibility that Division General Lino Cesar Oviedo, retired, might be appointed defense minister despite his having rebelled against the authority of his commander in chief and against the institutions of the Republic, as outlined to the nation by the president of the Republic himself.

Article 3. The Senate urges the people to firmly support and to enthusiastically defend the democratic principles and institutions.

Paraguay: Text of Chamber of Deputies Statement Given

PY2504020896 Asuncion Radio Nanduti in Spanish 0112 GMT 25 Apr 96

[FBIS Translated Text] The Honorable Chamber of Deputies today issued a statement which reads as follows:

Article 1. To reaffirm its support for the country's institutionalization in accordance with the national Constitution, and in support of the legitimally constituted officials.

Article 2. To fully reject the possible designation of rebellious General Lino Cesar Oviedo as defense minister, because of his actions in open violation of the national Constitution and the laws.

Article 3. To convey to the president of the Republic that should Gen. Lino Cesar Oviedo be designated defense minister, the Honorable Chamber of Deputies will not accept it passively, considering it an offense to the citizens that submits the Republic of Paraguay to international discredit.

Article 4. To demand the prosecution of Gen. Oviedo and his accomplices in the criminal and military courts for the commission of supposed crimes, urging the jurisdictional officials to implement the appropriate legal actions.

The original proposal had seven articles, but the debate ultimately ended with Article 4, due to the continuous rumors circulating in the Chamber of Deputies. The deputies thus decided to approve these four articles.

The final article says that this statement should be conveyed to all those interested and then filed. It was so ordered.

Paraguay: Army Commanders Deny Coup Rumors

PY2504042096 Lambare Paraguay Radio Cardinal in Spanish 0123 GMT 25 Apr 96

[News conference by Military Forces Commander General Silvio Rafael Noguera, new Army Commander General Oscar Diaz Delmas, and 1st Army Corps Commander General Santiago Zaracho with foreign and domestic reporters at the 1st Army Corps headquarters at Campo Grande — live]

[FBIS Translated Excerpt] [Noguera] Please, please. I am really stunned by what is happening here. I do not know what is the hurry for you reporters to run over each other. I have asked you to come here to see for yourselves what is happening here. I am truly surprised by the fact that it is not possible for us to speak calmly with you reporters.

If this is the atmosphere you are conveying to the people, it is understandable why the public is....

[Several reporters, interrupting]

[Noguera] This is the message I want to convey upon seeing your behavior. I cannot understand why you are in such a hurry, why you are pushing each other. [passage omitted]

I came here invited to attend a religious ceremony involving the 1st Army Corps commander, General Santiago Zaracho, who is celebrating his wedding anniversary. [passage omitted on Noguera trying to make reporters behave]

I was saying that I wanted you to come to see what is happening here. I believe you must have seen that Gen. Zaracho has many friends, who came here to be with him and with his family.

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[Reporter] General, let us discuss the subject that we are concerned about. Presidential spokesman Edward Bogado has called the media to a news conference in which you would be giving an official account on the situation prevailing here at the 1st Army Corps. We are here for that. What can you tell us about this call? Are you going to give us the official account?

[Noguera] The official account is that a religious ceremony has just concluded at this military unit. Gen. Zaracho will then host a reception for his friends. This is what we can officially report about what is going on here. We wanted you to come here to see for yourselves whether or not the guests are coming for this reception. This is the official report that I wanted you to confirm. [passage omitted]

[Reporter] General, does calm prevail now within the Army ranks? Are you satisfied about the outcome of this conflict?

[Noguera] You can see the reception that is going to take place here tonight. Could there be any more revealing a fact than a reception taking place at this unit, in which the main Army forces are concentrated?

[Reporter] Is Paraguayan democracy in danger?

[Noguera] In danger in what respect?

[Reporter] Of collapsing into the hands of a coup plotter?

[Noguera] A military or political coup?

[Reporter] Either.

[Noguera] Well, regarding political sectors, I can tell you that one can never completely rule out an action like that. Yet, the idea prevailing now within the Armed Forces is that the Paraguayan people need tranquillity. This is why we feel that the political sector must carefully ponder its actions, although we are not qualified to issue recommendations to them, but we must all help ease tensions and create true conditions for our democracy to continue to solidify.

[Reporter] Could you state that there will be no military coup in the next few hours?

[Noguera] The Army senior officers are here tonight....

[Reporter] Will General Oviedo be sworn in as defense minister tomorrow?

[Noguera] I cannot answer that question because it falls within the jurisdiction of the executive branch. We are members of the Armed Forces, which is an entirely different area. It is not incumbent upon us to meddle in affairs of the administration. This is precisely what we are trying to avoid; that is, that the Armed Forces encroach into the administration's area. The issue falls exclusively within the area of responsiblity of the administration, not ours.

[Reporter] It was a member of the Armed Forces who meddled in the administration's affairs.

[Noguera] That is right. You correctly used the past tense. Why should we mention what happened before? You are asking about the current situation.

[Reporter] I am talking about the missing general.

[Noguera] Why should he disappear? He is fully entitled to enjoy the benefits accorded by retirement, which he himself requested.

[Reporter] General, your calling us here is designed to exert pressure?

[Noguera] No. Absolutely not. When I was on my way here, I was asked to clarify things because there was uneasiness among the people.

[Reporter] Who asked you to do that?

[Noguera] Most of the media have been reporting on irregular situations. Thus, I considered that the most appropriate move was to have you come here to see for yourselves what is happening here. [passage omitted]

[Reporter] Why haven't the tanks that came from Cerrito and Concepcion returned to their units?

[Noguera] Because it is not necessary.

[Reporter] For what purpose have the tanks been brought here?

[Noguera] To celebrate the cavalry soldier's day, which was commemorated yesterday.

[Reporter] The celebrations have already concluded.

[Noguera] Correct, and the new Army commander was installed today. The Army personnel operating these tanks are also entitled to some rest and they will probably....

[Reporter, interrupting] When are they going to be sent back?

[Noguera] Are you worried about the concentration of tanks?

[Reporter] The people at large are concerned about it.

[Noguera] As long as we continue to think that what we need to remove are the tanks, and not our mentality, we are always going to experience uneasiness. What we need to do is remove the idea of disrupting the institutional order. This is the idea we are trying to instill in every officer.

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[Reporter] It was not the people who ignored that idea, but Gen. Oviedo, through the attitude he adopted on 22 April.

[Noguera] I believe that incident has been overcome because a new Army commander has been installed and Gen. Oviedo has retired, which were concrete events that took place this morning.

[Reporter] Where is Gen. Oviedo at this moment?

[Noguera] I have no way of knowing that. He is free to go wherever he wants to....

[Reporter, interrupting] General, I would like you to give me a very specific answer. Could you state that the Paraguayan Armed Forces, specifically the Army, will not rise up in arms again?

[Noguera] I may state that Gen. Diaz Delmas and Gen. Zaracho do not have any intention of disrupting institutional order. We are certain that their subordinates share the same idea.

[Reporter] Even if Gen. Oviedo is not appointed defense minister?

[Noguera] Why do you have to speculate?

[Reporter] Because Gen. Oviedo claimed that he had 33 generals on his side and he used a very peculiar phrase when he said that he had them gathered somewhere and backing his position.

[Noguera] Fine, if you want to believe all that, be my guest. Apparently everything that I have been saying here is not worth anything.

[Reporter] On the contrary. What you are saying is very important, and that is why were are all here. What we would like to know is what position the Armed Forces; specifically, the Army, would adopt if Gen. Oviedo is not appointed defense minister?

[Noguera] We will obey the government's orders. [passage omitted]

[Reporter] You will heed the government's order in case Gen. Oviedo is not appointed as defense minister?

[Noguera] Yes.

[Reporter] Are you aware, Gen. Noguera, of the fact that some 10,000 youngsters — according to what radio reports contend — staged a demonstration at the square outside the Congress building this morning and this evening to protest against Gen. Oviedo's nomination as defense minister. Are the upper echelons of the Armed Forces aware of this?

[Noguera] Yes, we have been listening to radio broadcasts, but that is something that is outside the jurisdiction of the Armed Forces.

[Reporter] What is your opinion of this demonstration staged by the public against Gen. Oviedo?

[Noguera] I think that back in 1988, the possibility of staging an opposition rally was beyond one's wildest dreams. If they [youngstes] are now demonstrating, it is precisely thanks to the Armed Forces — our colleagues who are here and many who are no longer here — which have reinstated democracy in Paraguay. It is thanks to them that they are demonstrating now. It is necessary that the Armed Forces and civil society as a whole value what we have now and refrain from taking things too far, and letting them get out of control. [passage omitted]

[Reporter] Some senators claimed some minutes ago that the deployment of troops would already start in approximately half an hour. What is the possibility of a coup d'etat taking place at this moment?

[Noguera] I am going to use a phrase that somebody used in the past: I have not been invited to that armed uprising. [passage omitted]

I would like to tell the public to remain calm. There is nothing whatsoever. There is no coup in the making and no coup will ever be staged — particularly within the Army — as long as I am commander of the military forces.

[Reporter] General Diaz Delmas, what will happen if Gen. Oviedo is not appointed defense minister?

[Diaz Delmas] I cannot predict what will happen. I do not know. As the commander of the military forces has said, we obey the orders of the commander in chief of the Armed Forces, and that's that.

[Several reporters speak at the same time] What if Gen. Oviedo leads a military uprising?

[Diaz Delmas] But he cannot; he has already been sent into retirement.

[Reporter] So he could not do it? He could not rally Paraguayan troops round him?

[Diaz Delmas] No, he cannot.

[Reporter] So, general, you can reassure the public that....

[Diaz Delmas, interrupting] Please, I would like you to convey to the public....

[Reporter, interrupting] What is your message, then?

[Diaz Delmas] What I have just said. The people should go home to rest. I am accompanied by the commander of

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the 1st Army Corps, and the commander of the military forces has been very clear.

[Reporter] Thank you, general. [passage omitted]

[Zaracho] I would like to convey to the public that hypothetical reports about a coup d'etat are not true. I can assure each one of you and the people in general that the 1st Army Corps will obey the orders of the commander in chief of the Armed Forces, and that troops have never ever been confined to barracks. [passage omitted]

I can honestly tell you that troops are not — and have not been — confined to barracks; much less will they stage a coup d'etat.

[Reporter] This means that now that Gen. Oviedo has retired, there are no problems in the Armed Forces.

[Zaracho] It is not incumbent upon us to discuss the subject of Gen. Oviedo. That is an exclusive responsibility of the government. [passage omitted]

From the moment he leaves the Army command, the Army continues obeying the new commander and all the Army units answer to the new Army commander, and through him, to the commander of the military forces and the commander in chief of the Armed Forces.

[Reporter] These were statements by Gen. Zaracho.

[Zaracho] As a final message, I would like to call upon the public to remain calm, and to tell you that calm reigns supreme within the 1st Army Corps headquarters and within the institutional framework. Just as we committed ourselves early in the morning of 3 February 1989 — when we reinstated democracy in Paraguay so that the Paraguayan people could once again exercise their right to live in democracy and freedom — to defend democracy to the very end, because this is not only a moral but a patriotic obligation, we uphold this commitment. In my capacity as 1st Army Corps commander, I can assure you once again that there will not be a coup d'etat. Thank you, everyone.

[Reporter] These were the statements by Gen. Zaracho.

[Anchorman Benitez, from studio] Can I have two words with Gen. Diaz Delmas?

[Reporter] Wait, he is talking to foreign journalists. Let us listen to him.

[Diaz Delmas, in progress] ...I am in the Army. I took office today, less than 12 hours ago.

[Reporter] Where were you 48 hours ago?

[Diaz Delmas] I was in my post as joint chief of staff. I was with the president.

[Reporter] Were you loyal to President Wasmosy?

[Diaz Delmas] Totally, always.

[Reporter] You must know that in Argentina some military officers tried to carry out a coup and they were not the chiefs of the Army. Can Oviedo carry out a coup now from outside?

[Diaz Delmas] No, he cannot.

[Reporter] He cannot, but if he wanted to....

[Diaz Delmas, interrupting] Not even if he wanted to; he cannot. The Air Force, the Navy, and the Army are united.

[Reporter] According to one of the rumors yesterday, you were not willing to accept your appointment as Army commander by President Wasmosy and you went up to Gen. Oviedo and told him that you would not assume your post without his consent. Can you tell us what really happened?

[Diaz Delmas] It is not true, not true. That is just media speculation.

[Reporter] But why speculation? Let me tell you something concrete. When the commander in chief, that is, President Wasmosy, said that Gen. Oviedo did not obey the order for his relief, Gen. Oviedo was seen in public here in the cavalry and you were at his side.

[Diaz Delmas] But that was the day of the cavalry yesterday. I was invited here not by Gen. Oviedo but by Gen. Zaracho. That is why I was here. I am from the cavalry. It was our day. That is why I came here [words indistinct]

[Reporter] Can Gen. Oviedo be tried by a military court? As a military man, the basis of the Armed Forces is subordination. President Wasmosy himself said that Gen. Oviedo had not obeyed his order. Is there any internal judicial inquest within the Armed Forces to analyze the behavior of Gen. Oviedo?

[Diaz Delmas] Not right now. But if the commander in chief so decides it, yes. But I do not know why Gen. Oviedo should be tried, since at that moment he had not received a strict order to hand over his post. The president relieved him but he did not establish any date or hour. If he had not obeyed the order from the established moment, then yes, he would have committed insubordination.

[Reporter] As a comrade of arms, do you support Gen. Oviedo?

[Diaz Delmas] No, sir, I was appointed by the commander in chief. I am the new Army commander.

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[Reporter] Above everything, are you a military man or a defender of democracy?

[Diaz Delmas] Both things. I am a military man who defends the institutions.

[Reporter] General, the tanks that came to the military parade or whatever, have they returned to their bases in Cerrito and....

[Diaz Delmas, interrupting] I want to explain that. The officers held their party last night so they were given leave to rest after so much work. They will return to their units. You can be sure of that.

[Reporter] When?

[Diaz Delmas] Any moment; maybe tomorrow. No problem with that.

[Reporter] What would you tell the citizens who are concerned about the rumors made known by the media? What would you tell them?

[Diaz Delmas] To remain calm, to go to their homes to rest. There is no problem. There will be no coup at all.

[Reporter] General, how would you describe your feelings and psychological outlook regarding the situation in which you are involved?

[Diaz Delmas] I am calm, with a calm conscience. I am not depressed at all. I am well. [passage omitted]

[Reporter] Here is a question for you from the studio.

[Anchorman Victor Benitez, in studio] Gen. Diaz Delmas, good evening. How are you?

[Diaz Delmas] Oh yes, how are you?

[Benitez] General Diaz Delmas, I want to ask you one single question in a very Paraguayan style, and I do not want you to give a doctor's answer. [speaks in Guarani] Who is the boss there, you or Oviedo?

[Diaz Delmas] I am the new commander.

[Benitez, in Guarani] So it is your orders that must be fulfilled, and not Lino Oviedo's?

[Diaz Delmas] Yes, sir.

[Benitez] It is very clear.

[Diaz Delmas] Yes, very clear.

[Benitez, in Guarani] And suppose Gen. Oviedo orders you to do something?

[Diaz Delmas] He cannot give me an order. I am the new commander.

[Benitez] Thank you, General.

[Reporter] Let us see if Gen. Noguera has left. Do you want to speak with Gen. Zaracho?

[Benitez] Yes. [passage omitted] General Zaracho, I am Victor Benitez.

[Zaracho] Yes, good evening.

[Benitez] How many years of marriage?

[Zaracho] Twenty-five years.

[Benitez] How could you stand so much?

[Zaracho, laughing] You see, you stand everything in life. Life is a permanent struggle; therefore. this is just one more struggle.

[Benitez] Therefore, this party will end just as a party, right, General? There will be no surprise tonight, right?

[Zaracho] Well, Mr. Victor Benitez, with all due respect and consideration to the media and journalists, I just want to tell you that there is absolutely nothing going on that could break the institutional process or any military movement. There is no such thing. I am speaking especially on behalf of my command. The commander of the military forces has already given the official explanation to the entire citizenry. We totally obey the orders of the Army commander and, through him, the orders of the commander of the military forces and the commander in chief. You can be sure of that. I thank you for this opportunity. So long.

[Benitez] Thank you, General, and congratulations.

Paraguay: Senator Says Oviedo Not To Become Minister

PY2504145396 Lambare Paraguay Radio Cardinal in Spanish 1350 GMT 25 Apr 96

[Interview with Senator Juan Carlos Galaverna of the Colorado Party by an unidentified reporter at the Congress building and anchorperson Mina Feliciangelli in the studio—live]

[FBIS Translated Text] [Reporter] Senator Juan Carlos Galaverna, do you have information that General Lino Cesar Oviedo will be installed as defense minister at 1100 today? Representatives of the Codem [Democratic Coloradoism] are on the way to the government house for the ceremony.

[Galaverna] No, there is no official information. Except for the rumors spread by radio this morning, I have no other information.

[Feliciangelli] I just talked with Senator Jose Alberto Alderete and he said that there are strong indications, contrary to the rumors, that General Oviedo will not be

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appointed defense minister, that he will get involved in politics, and that everything is in order. Do you have the same indication?

[Galaverna] Yes, I have the same indication.

[Feliciangelli] Can you tell me about the indications, as opposed to rumors? Have the indications emerged because the people close to President Juan Carlos Wasmosy gave you the information, or where did you get the information?

[Galaverna] I have no time to give details, unfortunately, but I can tell you that my information goes even beyond that in the sense that General Oviedo himself is aware of the current situation.

[Feliciangelli] This is very important. When will this information be disclosed?

[Galaverna] No, this is outside my area, I don't want to get into hearsay.

[Feliciangelli] This is very important because Alderete and Galaverna said they have indications in this regard. I think this position has been confirmed and I would dare to say — of course you never know with President Wasmosy — that the indications are that Oviedo will not be appointed defense minister.

Peru

Peru: Fujimori Approves Repentance Law for Traffickers

PY2504113596 Lima America Television Network in Spanish 0100 GMT 25 Apr 96

[FBIS Translated Text] Through a decree published today in the EL PERUANO official newspaper, the government has declared of national interest the struggle against drug consumption nationwide.

The decree establishes the commission against drug consumption, Contradrogas, which will be in charge of coordinating preventive actions against this scourge.

Among other issues, the decree law places all national airports, and river ports on a state of alert nationwide.

President Alberto Fujimori referred to this issue today, particularly regarding the exemption and reduction of prison sentence of those indicted on drug trafficking charges who supply information that will lead to the arrest of leaders or chiefs of drug trafficking rings.

Fujimori made these remarks when he dedicated the (Yucita) hydroelectric dam in Ayaucho today.

[Begin recording] [Fujimori] We have established a complete mechanism allowing us to implement something similar to what was done in the struggle against terrorism, that is, granting penitentiary and procedural benefits. These encompass the exemption of sentences, that is, there would be no punishment; a reduction of the sentence. In addition, because this is a very controversial issue, those who supply information that will lead to the arrest of drug trafficking kingpins will have their sentence commuted, that is, they will not be subject to any punishment, and in addition their identities will be changed.

[Reporter Maria Luisa Rosel] Does this mean that drug trafficking ring leaders will not be subject to the benefits of this law?

[Fujimori] No, as with the repentance law for terrorists, this law will not apply to them.

What is important here is that when someone is able to supply information that will lead to the arrest of some drug trafficking kingpins, the individual will be granted full guarantees and his identity will be changed. This is in view the seriousness of the issue.

[Rosel] Will there be a deadline for the expiration of this drug repentance law?

[Fujimori] We have not yet established an expiration date, but it is enforced as of tomorrow.

[Rosel] Regarding this same law, President Fujimori has said that the executive antidrug council will be established. He said this council will be headed by a cabinet member.

In addition, the interior minister will be empowered to request the necessary support of other government bodies, organizations and public institutions that the police need to combat drug trafficking.

Furthermore, President Fujimori said he expects the IMF draft letter of intent will be submitted by the beginning of May after the proper corrections are made. This means that the letter of intent may be signed in May.

This is what President Fujimori said today before inaugurating the (Yucita) hydroelectric dam in Huancaraya district in Ayacucho. This hydroelectric unit will benefit 3,000 residents of Victor Fajardo Province in Ayacucho. [end recording]

Peru: Antidrug Agreement Signed With Panama Approved

PY2404145496 Madrid EFE in Spanish 2325 GMT 21 Apr 96

[FBIS Translated Excerpt] Lima, 21 Apr (EFE) — The Peruvian Government today approved the antidrug cooperation agreement signed on 6 March of this

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year in Panama by President Alberto Fujimori and his Panamanian counterpart Ernesto Perez Balladares.

The agreement states that the two countries commit themselves to complement the actions of each other against drug trafficking, within the framework of the UN Convention Against Illegal Drug Trafficking and Psychotropic Substances.

The agreement also establishes the exchange of information on their national programs related to drugs, legislation, and jurisprudence.

They will also exchange information on the identifications of suppliers; producers; traffickers; the detection of planes, ships, and other suspicious means of drug transportation; the sale of precursors; and the "laundering" of money.

The agreement also creates a commission to fight trafficking. It comprises officials of national organizations and representatives of the Foreign Ministries of the two countries.

The commission will evaluate the fulfillment of the agreement and make recommendations on drug enforcement policy to the Panamanian and Peruvian Governments.

The agreement was approved one day after the government promulgated the extradition treaty signed by the U.S. and Peruvian Governments in 1995.

The two documents were promulgated within a "package" of antidrug laws approved by the Peruvian Government in accordance with the legislative powers entrusted to it by the Peruvian Congress.

The "package" also includes a law that reduces or redeems the sentence of drug traffickers who repent and cooperate with justice by supplying information that allows the capture of the main leaders of drug trafficking gangs.

Peru: Government Toughens Sentences on Tax Evaders

PY2404185496 Madrid EFE in Spanish 2257 GMT 20 Apr 96

[FBIS Translated Text] Lima, 20 Apr (EFE) — The ANDINA news agency reports that the Peruvian Government has toughened sentences for tax evasion and fraud through a law released on 20 April.

Cases of fraud will be punished with minimum sentences of eight years, and a maximum of 12 years when those responsible create situations that allow them to benefit from exemptions, refunds, misappropriations, compensations, credits, or tax incentives.

ANDINA reports that the same sentence will be imposed on those who fake or provoke an intentional state of patrimonial insolvency and thus prevent the collection of taxes.

Those who fail to fully record their income, actions, or operations in accounting books, or provide false or partial data in those books, will be punished with a minimum of two and a maximum of five years imprisonment.

In the case of professionals who evade tax payments, the law establishes that additionally they will be disqualified from exercising their profession in a direct or indirect manner for six to seven years.

The law, approved through powers entrusted to the executive branch by Congress, also punishes with between five and eight years in jail, those who "totally or partially hide goods, profits, income, or who provide totally or partially false liabilities to annul or reduce their tax liability."

The same punishment will be imposed on those who do not file with the tax officials, within the deadline established by the laws, the tax withholdings or tax estimates that might have been made.

With this new law, Peruvian officials hope to reduce tax evasion and increase revenues, which are considered insufficient by the IMF and the Peruvian Government.

Uruguay

Uruguay: President Says Paraguay Crisis Stems From Past

PY2404231396 Buenos Aires TELAM in Spanish 1500 GMT 24 Apr 96

[Report by unidentified correspondent in Montevideo]

[FBIS Translated Text] Montevideo, 24 Apr (TELAM-SNI) — Uruguayan President Julio Maria Sanguinetti stated today that what happened in Paraguay is an expression of somewhat blind death throes of situations prevalent in times past.

Sanguinetti declared: "A country without democracy has no destiny or future." The Uruguayan head of state deemed that what happened in Paraguay "is an episode of the past that survives at this moment of transition and change."

The president emphasized: "It is difficult to imagine that a reversion to a situation prevalent in times past could happen in Paraguay," adding that after the meeting held by the presidents of Mercosur [Common Market of the South] member countries in Las Lenas — in the

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Argentine Province of Mendoza — in 1992, "democracy is an essential component of Mercosur."

The Uruguayan chief executive further stated that "it would be a very serious step" if Paraguay lost democracy and was obliged to withdraw from Mercosur, adding that this would constitute "a loss in the life of the common market."

Sanguinetti went on to say that the trip to Paraguay made by Foreign Minister Alvaro Ramos together with other Mercosur foreign ministers was aimed at supporting the legally established government and contributing, "insofar as we could, to rescuing the democratic process" in Paraguay.

Uruguay: Ramos Says Paraguayan Crisis To Affect Mercosur

PY2504055096 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2239 GMT 24 Apr 96

[FBIS Translated Text] Montevideo, 24 Apr (AFP-NA) — Uruguayan Foreign Minister Alvaro Ramos today sounded an alert with regard to the fact that the institutional crisis in Paraguay will have a high political cost for Mercosur [Common Market of the South], since it will see its international image suffer deterioration.

Upon returning to Montevideo from Asuncion, where he stayed for eight hours to convey the Uruguayan Government's solidarity with President Juan Carlos Wasmosy, whose authority was threatened by military insubordination, Ramos stated: "This episode will not be free of charge."

Ramos explained that General Lino Oviedo's disobedience of an order of the president commanding his removal from the position of Army commander put Mercosur in a tight spot."

Paraguay is a partner of Argentina, Brazil, and Uruguay in the Southern Cone commercial bloc.

The foreign minister noted: "As of now, Mercosur's image may give rise to doubts about the stability of its political institutions. What happened [in Paraguay] affected our international image as a common market, particularly when we come to the negotiating table with other economic integration endeavors."

Ramos declined to voice an opinion about the alleged solution that Wasmosy found to weather the crisis in his country; namely, promising the insubordinate military man to appoint him as defense minister.

The foreign minister said: "What I can indeed say is that the situation in Paraguay was not conducive to clear rules of the game and there was a real risk of the government being toppled."

The minister went on to say that "it is not up to me to voice an opinion about the domestic and sovereign decisions adopted by President Wasmosy. That is a subject Paraguayans must resolve."

Ramos pointed out: "I am concerned about the impact these events may have on foreign investors who were thinking about setting up shop in Mercosur member countries. This is now quite an important issue."

Venezuela

Venezuela: Finance Minister Discusses Economic Plan

PA2304010996 Caracas Venezolana de Television Network in Spanish 0230 GMT 20 Apr 96

[Interview with Finance Minister Luis Raul Matos Azocar by Carlos Fernandes; place not given — live or recorded]

[FBIS Translated Text] [Fernandez] Good evening, friends. We are with Finance Minister Luis Raul Matos Azocar. Some of the details of the economic decisions announced yesterday by President Rafael Caldera are already known. However, there are a series of questions and doubts that have not been clarified. We would like to try and address some of the fundamental aspects during this conversation, during this special program with the finance minister. A series of criticisms have surfaced — from all types of people under the sun — on President Rafael Caldera's proposal or alternative. There are those who say that the president was not specific. It is also obvious that the ministers will have their say in this and will have to explain to the public about those other important details within this macroeconomic stabilization plan. We thank Minister Matos who accompanies us on this Venevision program. Let us get into those details pertaining to the intent, spirit, and development of the adjustment plan of the economic adjustment plan.

[Matos] Good evening, viewers. Carlos, as you have said, the president's task was not to go into detail in his presentation to the country yesterday; but instead, to show the map and establish the course. Now it is up to us, the ministers, to provide the details about the courses on that map. For example, part of the purpose of the Venezuela Agenda is to beat inflation. The president was emphatic on this point when he mentioned actions to be taken to correct the fiscal deficit. For we, Venezuelans, the main goal of these measures is to once more attain economic recovery, economic growth with low inflation levels, and strengthen the country's social assets. We believe that the time was right to take these measures following the financial sector crisis. We are just about

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ready to reach an agreement with the IMF, which will give international support to the Venezuela Agenda, and with this, I believe that we are going to definitely overcome the crisis.

[Fernandez] This, of course, is all within a theoretical framework. But there are those who believe, for example, that up to now the National Government's explanation — not the president's — still lacks some basic elements. Explanations are just now beginning to be given by the ministers, for example, those linked to the decision to float interest rates and reference parameters for a new bolivar to dollar parity. Obviously, the most specific point was the increase in gasoline prices, announced yesterday by the president himself. Nevertheless, many details are still lacking. There are talks of privatization programs in generic terms, but there are no specifics or dates on when privatizations are to take place, if this term may be used, for aluminum enterprises, Aeropostal, and state-operated banks, and so forth. These are the things that critics and government adversaries say are just too general.

[Matos] Yes. First of all, there are certain measures that the law itself regulates and are exclusively the domain of the Central Bank of Venezuela [BCV]. The president of the Republic will authorize the finance minister tomorrow, in the council of ministers, which is what the law specifies...

[Fernandez, interrupting] A new exchange agreement?

[Matos] ...to sign the exchange agreements with the BCV. The handling of exchange policies is given back to the BCV once exchange controls end. This is closely linked to monetary policies. Nevertheless, because under the design of the Venezuela Agenda all elements are taken into account together with their simultaneous effect, I will give you a preview of some of these elements, even though it will be up to the BCV to give even greater details. First of all, there will be full currency exchange freedom. We believe that conditions are right for this and even capital accounts freedom, despite the fact that at the very beginning even the IMF believed that we keep control over capital accounts...

[Fernandez, interrupting] Was there a change of mind?

[Matos] Well, because once we pondered and evaluated what the situation is and how tough the fiscal deficit reduction is — a key element of the entire Venezuela Agenda — we felt that conditions were right to switch to a free currency exchange now and not maintain the control for a few months, as we had planned. Regarding interest rates, which the president explained, we will change to a flexible rate scheme. It is not possible to go into greater detail, except to say that the rate will be according to supply and demand. The BCV will set the specifications in due time. This is the intent. At the beginning, we will need to raise interest rates, but this is temporary. There will be a strong relationship, as far as exchange and monetary policies are concerned, while we play with the interest rates and protect reserves.

[Fernandez] I would like to stop at this point since one of the major concerns of most the population is specifically related to that floating rate you just mentioned. Some sectors claim that the decision to have floating interest rates came as a surprise since some conjectures had been made with respect to a possible 20-percent increase in the active and passive interest rates. Nevertheless, a floating rate also carries some limitations as far as mortgage loan debtors and the agriculture sector are concerned. Yesterday, during a conversation with the development agriculture minister, he commented on the likelihood of a sort of preferential interest rate, primarily for the agriculture sector. Despite this, mortgage debtors are tremendously concerned since there is the suspicion that they might be on the verge of losing their homes. Small- and medium-sized firms also have doubts as to how they are going to deal with their financial obligations with a floating interest rate in effect.

[Matos] Well, one of the first things we have to explain is how far the rate will be allowed to float. I believe the strategy being followed is not one that should be described as a shock strategy. A shock strategy would be to abruptly increase the interest rate to a positive real value over and above the inflation rate. Such a strategy would only serve to cause agitate in the productive sector, not to mention the financial sector. Therefore, it was decided that what we would do initially is to gradually raise rates at the Central Bank this week through the TEM [Monetary Stabilization Funds]. We would first fix the passive interest rate and from there on the market itself would take over and gradually adjust in such a way that eventually, the increasing interest rate and declining inflation rate would intersect. This is why I mentioned not long ago that we had no intention to raise interest rates over the inflation rate since it would only bring about a lot of negative repercussions. However, we do plan to gradually raise interest rates insofar as we can maintain a positive interest rate-inflation rate relationship.

[Fernandez] Of course. However, there still is a lot of apprehension because the population still remembers former President [Carlos Andres] Perez' economic program in 1989 when rates increased considerably, all sorts of problems developed, and nearly the entire population become involved in some sort of financial speculation. All of us went into some form or another of

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financial speculation to make more money and profit by placing funds with the banks. Therefore, since we already have that experience and its disastrous results, that is why there is so much apprehension.

[Matos] Of course. For example, you pointed to the apprehension felt by small- and medium-sized businessmen.

[Fernandez] As well as mortgage debtors.

[Matos] We will be discussing the mortgage debtors very soon. With respect to small and medium-sized business owners, it has been planned that the Banco Industrial, Corpoindustrias [Corporation for the Development of Small- and Medium-Sized Industry], Sogampi [expansion unknown], and other financial institutions, will form a common pool to capitalize on this sector. In other words, the pool will provide strong financial support to this small- and medium- sized business sector. Likewise, the Additional Credit Program that we are submitting for the consideration of the National Congress includes steps to bolster the Agriculture Credit Fund and the ICAP [Agricultural-Livestock Credit Institute]. Financial resources for this program will originate from fiscal revenues as well as the devaluation process that will take place, and for which we are all prepared. With respect to mortgage loan debtors, we are currently designing a strategy so that interest rates will not have any major effect on these debtors. The strategy is practically ready and implementing the program would seem to be less costly than we had initially estimated. Once the Economic Cabinet has been able to discuss the details we will be making a public announcement.

[Fernandez] The psychological aspects of this strategy are very important. If you recall that during the year 1989 one of the so-called initiatives proposed was precisely addressed to mortgage loan debtors, and it caused an tremendous uproar in the middle class, like nothing we have never witnessed before in this country. This, in turn, led to a 19.5-percent reference and preferential rate. There are still many households concerned about the likelihood of losing their homes.

[Matos] I can assure you that we are taking steps to guarantee that middle class homeowners whose mortgage rates are linked to the market will not have to undergo any adverse effect on account of this measure that we are about to implement. As long as these abrupt interest rate increases continue, we plan to implement mechanisms to lessen any major effects on homeowners.

[Fernandez] We will be back in a few minutes to continue with our interview with Finance Minister Luis Matos Azocar. Following a short break we will continue discussing the economic decisions included in the Stabilization Program.

[Fernandez] Well, we continue with Finance Minister Matos Azocar in this special program. There is an important situation. We are still talking about economic issues, sometimes in a theoretical manner, sometimes in a conceptual manner. However, on a daily basis, when will the Venezuelan people begin to feel that the situation, that their living conditions, will begin to improve if the measures are definitely accurate? For example, how are you going to handle the situation in the case of inflation?

[Matos] Well, all the examples we have reviewed concerning the implementation of these measures and their immediate effects — [Planning] Minister Teodoro Petkoff and [Industry and Commerce Minister] Freddy Rojas Parra have already explained this at length — will undergo a quick temporary increase at inflation level and then they will definitely drop.

[Fernandez] The impact will be quite severe in the first months.

[Matos] We will have a high inflation rate in the first three months, but immediately afterwards, meaning at the end of June or right after that, we will definitely curb the inflation for the first time. This is definitely the most important element we can offer right now.

[Fernandez] How will it be curbed? In other words, a reply...

[Matos, interrupting] Well, inflation is currently around eight points and it will drop under two points. From then on, in 1997, we will have inflation levels of 20 or 25 percent at the most. I believe this has also been achieved in other countries — in Peru, Bolivia, Argentina, and Brazil — so we do not see why we cannot achieve this in Venezuela. In other words, this is one of the first achievements. Therefore, for the first time, Venezuelans will see that their salary, that their purchasing power will not deteriorate on a monthly basis due to a higher inflation rate. This is one of the first goals. Another goal deals with the country's potential for growth. President Caldera and I are convinced that, once the measures are implemented, foreign investments will quickly come to the country. We will then talk about a privatization and that will determine an economic growth that will never be below the four-point or five-point level in 1997. The cyclical growth we have achieved for several years... [pauses] Venezuela achieves growth one year and then it drops the next year; and we want a self-sustained growth so we can guarantee the opportunity for employment in the Venezuelan society.

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[Fernandez] We must be extremely careful and discreet because we have the colloquial statement given by the president of the Republic — that foreign investors were standing in line — but there are also statements to the opposite. For example, [Former Interior Minister Arturo] Uslar said today he would like to get a photographer to take a picture of the investors who are standing in line to come to our country.

[Matos] Well, maybe Dr. Uslar has not read the material from Conapri, an institution that is backed by the private sector. I will send him a copy, this very day, of what Conapri has published. You would be surprised with the list of foreign investors — not trying to explore but with specific plans to invest in the country. This involves Japanese companies, U.S. companies, the oil sector's opening process. This proves the investors' interest in the country.

[Fernandez] But there are...

[Matos, interrupting] I use the opportunity...

[Fernandez, interrupting] There are rules to the game.

[Matos] Obviously. When you open the economy as it is being done, the rules of the game are perfectly well defined. The most important thing about this deals with the privatization issue. There are investors already interested in the Bank of Venezuela's privatization. This will occur before the first semester is over. The Consolidated Bank's privatization is ready, with offers from local and foreign investors. This will also occur in this period. The privatization, the sale of Aeropostal is ready. The Venezuelan Investment Fund has this prepared for late May or early June. In other words, we are in this [pauses] the aluminum sector you asked about has been turned over to the investment banks and they are in charge of the whole preparation process to privatize the aluminum companies as a bloc during the last quarter of 1996. The Congress of the Republic has been asked to authorize the privatization of 49 percent of CANTV's [National Telephone Company of Venezuela] shares.

[Fernandez] CANTV.

[Matos] In other words, the privatization process is under way and...

[Fernandez, interrupting] Perhaps what people want is more speed because they have always thought...

[Matos, interrupting] That is something I would like... [pauses] If there is something that has complicated things in this country, as a political analyst told me many years ago, it is the series of laws we have. A law is created for everything without analyzing the effects of that law. This is a.. [pauses] If you want an example: Each dollar we get from the IMF, the IDB, or the World Bank goes through 165 steps before it reaches the users in the country. They are quite surprised. This does not happen anywhere else in the world. Each measure you want to take is somehow obstructed by a law so all this has been complicating the privatization process and the speed with which it can be implemented.

[Fernandez] This might have become a great business for many people who dedicate their time precisely to this, no?

[Matos] Well...

[Fernandez, interrupting] With the intention of obstructing, I mean.

[Matos] Not only that. It is also reflects how much power one can wield, right?

[Fernandez] Yes.

[Matos] Laws have been established and they truly obstruct any possible solution now. You have the example of FOGADE's [Deposit Guarantee and Banking Protection Fund] assets. Everyone is afraid to liquidate those assets because if you have an offer of a specific price that enables you to quickly get rid of those assets, you find that you are immediately summoned for questioning by the various comptrollership committees in the country, under threat that the law for the protection of public property will be enforced against you. Consequently, everyone is afraid to adopt that kind of decision. I believe a special law must be enforced so we may quickly liquidate FOGADE's assets and seized banks' assets.

[Fernandez] That is essential. Besides, the Venezuelan state will receive a significant amount of reserves that might help the overall accumulation process to close the fiscal gap or assume a responsibility in social programs.

[Matos] Of course, of course. I want to use the opportunity to explain, for example, why we decided to approach the IMF. Some people say that the reserves level is adequate and there is no need to approach the IMF. I was appointed finance minister last year and, two months later, I realized that the effects of the decisions adopted regarding the financial sector's crisis have not been fully assessed. I submitted a report to the council of ministers and I talked to the president. I said: Mr. President, the fiscal gap totals seven points of the product and that cannot be financed anywhere in the world. I immediately traveled abroad and I found that the market is closed.

In other words, it is as if someone gives you the foundation of a house and it lacks the materials to finish different rooms; and the only one who has the

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materials is your neighbor. Some people say: You claimed you would not approach the IMF and why are you talking with the IMF? It was a decision prompted by Venezuela's need. It says we must forget that type of debate and pragmatically use an organization in which Venezuela is a member. Well, the only one who has finances to help you in the international markets is the IMF.

[Fernandez] The IMF.

[Matos] All the banks said: There is no possibility of financing you without that endorsement — unless you, or Brazil, or the other countries have the IMF's endorsement. Consequently, we decided to start this negotiation process. Others said: You have waited too long.

Well, if you are negotiating, the negotiations are difficult. We are watching the negotiations in the labor sector right now — the way they take different twists and turns.

[Fernandez] Yes.

[Matos] Can you imagine a negotiation that includes financial, foreign currency, social, and political issues? This is something very important.

[Fernandez] Perhaps that also deals with, if we look back, what others termed as extreme slowness by President Caldera's Government in assuming a strategic plan to counter Venezuela's economic problems and difficulties. Perhaps that is what prompted many people to state: Well, you are going to slowly; you have failed to quickly reach an agreement with the IMF; and all those things.

[Matos] Yes, some people have even told me...

[Fernandez, interrupting] There is more. There is another point of reference. Since the president of the Republic did not seem too convinced about the benefits of this type of program in 1993, the people have every right in the world to understand that this is a valid alternative or proposal. That also helped to create more prejudice and even pessimism.

[Matos] Yes. Let me give you an example, because many people say that in the case of Argentina, Menem and Cavallo enforce the measures with celerity. I do not say this to blame Congress or the executive branch, only to let us see political realities. Menem and Cavallo have a majority in Congress and they do not have to go through a negotiation process.

When lobbying in favor of the Free Trade Agreement with Mexico, President Bill Clinton had to visit each state to speak to the different senators and representatives of the U.S. Congress. He had to negotiate in order to have NAFTA passed. This took a lot of time.

Now in our case, the entire country knows that the government represents a minority in Congress, that there has been a positive attitude from Congress. But, in any case, each government initiative must be negotiated.

In order for us to negotiate with the IMF... [pauses] a comprehensive program was always present. I simplify it with the thesis of what Venezuelans refer to as the dry hide [cuero seco], which is known in the world as the theory of systems. I have always said that Venezuela was ahead of those who developed the theory of systems, the dry hide theory. You must simultaneously analyze the financial policy, exchange policy, fiscal policy, and the policy to increase the Gross Domestic Product [GDP], but you may adopt a measure in one sector and adversely affect another sector. With this, I mention something that makes the country's economic stabilization program different from those of other societies.

First, we are applying it at a time when we have just overcome a strong crisis of the financial system. We are still working to strengthen that financial sector. This has prompted the very IMF, when it proposes some measures, to bring some specialists to study the system in greater detail, because there are some things occurring in Venezuela they have not seen in other societies. I believe this is an important element.

Carlos, another important element is the social sector. We did not waste any time. Fortunately, all this time we have assessed social problems, reviewed the social program network. And from the first day, in my first conversation with Mr. Camdessus, on behalf of the Government of Venezuela, I told him we have three objectives here: the stability of the political system, economic, and social concerns. This made matters more complex because, had we just worked on fiscal, monetary, and exchange measures, we could have possibly concluded the negotiations way before.

[Fernandez] Well, they gave you their okay for what it's worth. When we return we will continue talking with Finance Minister Luis Raul Matos Azocar. We will discuss the political playing you talked about, the negotiation in Congress. The government has received a proposal dealing with an increase of the general sales tax rate from 11.5 to 16.5 percent. This does not seem to be clear in the minds of lawmakers, Congress. Some parliamentarians have even stated they oppose the government proposals. In addition, other taxes have been proposed within this economic plan of the Government of President Rafael Caldera. We will be right back.

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Well, we continue this conversation with Finance Minister Luis Raul Matos Azocar. The political negotiation is very important. I mentioned not all legislators are convinced about the convenience to increase the general sales taxes, although the president last night stated he believed there was consensus in this regard. But when opposing views are issued one wonders who may be right. This confuses public opinion a bit.

[Matos] With regard to the general sales tax and the excise tax, we have been holding meetings with all legislative bodies since December, explaining to them the need to correct that fiscal deficit of 7 percent of the GDP we found in 1995. It has remained at this level because there is no way to bring it down. The only way to cut this deficit, if no further income is generated, is by drastically cutting spending. In Venezuela spending in real terms, although the budget may total 4 trillion bolivares, has been declining in recent years due to inflation. Consequently, we asked them to pass these taxes in the special legislative sessions, but there was no consensus on that occasion.

An IMF mission then visited and recommended that the tax rate be set at 18.5 instead of 16.5 percent. We initially proposed a 15 percent general sales tax increase. At this time, some legislative bodies in Congress are willing to support this motion, enabling us to have a majority. I hope consensus is reached to guarantee the passing of this tax hike at 16.5 percent. This is the situation that prompted the president of the Republic to make the announcement.

The commitment has been made to transfer part of these revenues to the Decentralization Fund, which finances state governments. We fully share this idea. Up to 100 billion bolivares could be transferred to the state governments, to be used in investment programs.

In other words, these taxes will be turned over to the community in the form of sewers systems, investment programs, water lines, social investments.

[Fernandez] Yes, because Venezuelans want to see the benefit they will get from the payment of direct or indirect taxes. People say, I will pay taxes, I will assume this responsibility, but what do I get in return?

[Matos] You have just touched on the most important issue of the great change that is taking place in Venezuelan society. I believe that I, as minister of finance, have not explained this issue in sufficient detail. In the past, everything — about 90 percent — was financed in Venezuela from oil receipts. At the time, we could be somehow indifferent as to how our resources were used. But since a year ago, approximately, most of the spending in this country, whether professors' salaries, public officials' salaries, teachers' salaries — we will address this later — are financed by citizens. I have stated... [pauses] For instance, my first action when they appointed me as president of the Financial Emergency Board was to become the defender of taxpayers' money and I strongly opposed an agreement to finance a project for 12 billion bolivares because, in the long run, that is paid for by the state treasury.

I believe the figure [of finance minister] is somewhat unpopular right now. I said this a week after assuming the post: I will probably be an unpopular finance minister. Why? Because we try to enforce discipline and discipline in societies that are used to disorder seems unpopular at the beginning.

[Fernandez] But there are many doubts because people in general think, and there are evidently elements in history which lead them to think like this, that, if there are new taxes, their money will simply be used to continue nurturing a crooked public administration.

[Matos] Obviously, and that is the point I want...

[Fernandez, interrupting] A public administration that is not even efficient.

[Matos] That is the point I want to discuss. For example, we have implemented, for the first time and with the support of the World Bank and the IDB [Inter-American Development Bank], two very strong and very important institutions. One of them is the Seniat [Integrated National Service for Tax Administration], which all the Venezuelans know about and which is in charge of tax collection. In fact, I personally worked with the tax superintendent to prepare a list of all the large-scale income tax evaders and it has already begun to yield results. They have been approached without making a great fuss and they have begun to pay. They were told: Sir, instead of collecting what you wanted you will have to pay. Some of them are paying about 600 million and they are currently signing their commitments. We did not want to make a great fuss; it is not a matter of publicity; but it is...

[Fernandez, interrupting] No. They accepted to pay.

[Matos] It is a matter of doing the effective and efficient thing: You are a tax evader and we have to negotiate. That is the goal sought by the tax remission law that is currently in Congress. This deals with tax collections which, I believe, will compensate the country with high revenues in 1997. There is a unit, called the large-scale taxpayers' unit, which was installed this year. We have given it our full support and it will be very important for the Venezuelan people when it begins to operate efficiently. Therefore, large-scale taxpayers, not you or me because we have no payroll, and large-scale tax

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evaders will pay their taxes in Venezuela. There was no culture...

[Fernandez, interrupting] Or an efficient justice.

[Matos] But we have started. Now then, the other element is a control system for the administration. This is a very important aspect and it is already installed: the (Sigecob) [expansion unknown] with the Comptroller General's Office, the Finance Ministry, and the Treasury. Therefore, resources will be given to the institutions for the efficient management of those resources. That is the other element. The third one deals with the internal conflict regarding salaries in the public administration sector.

[Fernandez] Yes.

[Matos] I personally believe that, for example, one cannot doubt that teachers in this country should earn twice, or perhaps thrice, their current salary.

[Fernandez] Yes.

[Matos] I say there are two people who should earn twice [their current salary]: teachers and policemen. In my opinion, they are two key elements of any society but let us get this straight, they must really teach my child. Right?

[Fernandez] Yes.

[Matos] Therefore, let us establish a system...

[Fernandez, interrupting] The level of demands is involved.

[Matos, continues] ...through which the community of parents and representatives evaluates the quality of education given to my child, to see if the school is effective or not, if my child is actually being taught. Then we can establish a quality remuneration system next year. That is currently being done in the world. If the client is satisfied he pays.

[Fernandez] Of course.

[Matos] We should not be permanently remunerating some people who lack this quality although there are others whose quality is evident.

[Fernandez] A social responsibility is involved. It would be a matter of partially transferring to the community the rigorous, orthodox supervision of the persons who are rendering this service.

[Matos] Of course, because you are the taxpayer. Who is the great denouncer in Europe and the United States? The taxpayer. If you go to a place where there is a public employee and if he treats you badly, if he mistreats you, if he does not give you a quality service then I believe we should establish the follow-up and control system because I am now the one who pays. They are there to serve me, a citizen. I believe this is a very important element.

[Fernandez] But it is a cultural problem.

[Matos] We can do this through the media, the creation of the respective culture, and the establishment of control systems.

[Fernandez] Not only that. The encouragement of new governments, too. The problem is that the initiatives are adopted, for example, by President Caldera and his team, and then another government comes in 1998 and it abandons all the plans and the perspective of an idea as good as this.

[Matos] Let me tell you something before we quickly turn to the social sector. People have criticized the fact that we monetized the food scholarship, meaning we turned it into bolivares. Why did we do this and why did we decide to double it? Why? Because we evaluated the social programs and realized it is useless to allocate funds for social programs if the efficiency of their implementation does not surpass the 15-percent and 20-percent mark when we devalue the currency. The people criticize the fact that the mechanism is in bolivares, but it is the quickest mechanism. They criticize the fact that the mother collects the funds. I do not imagine... [pauses] Some claim the funds are later squandered. Good heavens! I cannot imagine a mother who has to stand on line to collect a check later squandering the money while her children's needs remain unfulfilled. Perhaps if we gave it to an irresponsible father, because there are some, this could happen; but I do not think the mothers are acting like this. Nevertheless, the mechanism works. We will give the first double payment for the family subsidy at the end of this month. This reaches 3 million children and benefits 12 million people; and it is part of the social network which allows us to lessen the impact of the economic measures.

[Fernandez] But the mechanisms for that distribution are clear.

[Matos] Yes, because it is totally automated.

[Fernandez] I will refer to another issue, also dealing with subsidy, and it is obviously part of the social plan implemented by President Caldera's Government. I mean the subsidy given to the public transportation sector. Some groups in Caracas and the rest of the country began to complain since the beginning, claiming they had not received the full amount of the subsidy for the public transportation sector.

[Matos] The subsidy program for the public transportation sector was one of the elements that prevented us

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from adopting a decision regarding an adjustment to the gasoline prices. A register of the transportation sector was being prepared through the MTC [Ministry of Transport and Communications] with the support of PDVSA [Venezuelan Petroleum, Inc.]. Now 80 percent of the register is complete. Since the tax on financial transactions was denied and the deficit had to be quickly corrected, the program was stepped up, the process was stepped up. It probably has some deficiencies but the important thing is that the transportation sector members, who know they will receive the benefits of a special subsidy that is oriented for more or less 3 million users rather than the transportation sector, will now register. Thus, the system will immediately work in a much more efficient manner through checks or savings accounts. The information I have is that there are some deficiencies but, in general, it was implemented very well. We even paid in advance.

[Fernandez] Yes.

[Matos] In other words, no one has the right to say: Look, the gasoline...

[Fernandez, interrupting] They cannot blame the state.

[Matos] They have been paid in advance.

[Fernandez] We will continue to talk with Luis Raul Matos Azocar in this special program. There is an issue is still pending. Many of the people who criticize the implementation of this program doubt, not the visible people, meaning the ministers, but the technical support the government will provide for the implementation of these measures. I would like to hear some commentaries, some statements from Finance Minister Matos Azocar about these statements which have arisen in the public, mainly from people who follow up on the country's economic situation.

Well friends, we continue our interview with Finance Minister Luis Raul Matos Azocar. We talked a bit about the technical platform. Some critics of the government's economic proposal have asserted that if harmony begins to prevail among the ministers comprising the economic cabinet, there is no assurance that the technical support is sufficiently strong, even from the intellectual viewpoint, to face such a delicate problem.

[Matos Azocar] First, I believe that a drama of public administration in Venezuela for many years, this is an area I have been studying for quite some time, is the decline in the operating and management capacity of public administration. I believe this is an important. That is why we have created some mechanisms connected... [pauses] for instance, in the Ministry of Finance there is currently an Economic Analysis Center because I found that there was no economic support structure for the minister, since the finance minister is the coordinator of the economic cabinet. I found there is no entity or legal provision establishing a compulsory coordination between the Central Bank and the government, considering the autonomy of the Central Bank, to devise economic policy. We are also working there. We are even bringing some advisers from abroad to have the team work in a more expeditious manner.

But my greatest concern does not have to do with the economic area. There, Carlos, you said something very important, which is that we are working as a team. I believe that our soccer team, in addition to the midfield player who is planning the next move, has three of four more players who move the plays ahead. We now have Teodoro Petkoff, Freddy Rojas Parra, and [Venezuelan Investment Fund director] Alberto Poletto. The team is working in a coordinated manner.

The area that concerns us is the social area. And this is a concern of every government. In Venezuela we have not developed the capacity to manage social programs. What Fujimori did in Peru is that he practically assigned funding for social programs through private institutions.

What we do have in the country is a good organization of micro enterprise networks in which we have made progress. We are at this time advancing two actions: first, to transfer to state governments the largest amount of resources possible to manage social programs; we are doing this because governors were recently elected, they have a much more direct commitment with the community than a high-ranking bureaucratic official, and they are ready to get those programs going. Second, we want to use these micro enterprise networks, which are private organizations.

Carlos, the government has expedited this project guaranteeing the implementation of social programs. We are implementing the people's fairs, access to low-cost products, and medicine programs. Transferring these programs to state governments will permit us to...

[Fernandez, interrupting] I remind you that many people believe this is part of the influence peddling structure that traditionally has existed in our country. They are viewed as handouts the Venezuelan state continues to grant as a compensation for the harsh impact of this economic program.

[Matos Azocar] Well, it has two components. Everywhere we start out with compensation programs. Additionally, it includes some programs consisting of mobilization and participation of the community. For instance, through the Ministry of Education, we will implement the school food program with the participation

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of the community. We will implement the scholarship-work program for youths who are out of school. This program is being promoted by the minister of the youth and it is being coordinated together with the state governments and work centers. Its purpose is to provide training to better educate us for the future, thus giving people with low incomes a chance.

I have always said that the best use we can give to petroleum revenues is to invest them in education and learning. The societies of the 21st century will depend on the technical ability of their youths. Hence, we are overemphasizing training programs.

But I also wanted to point out the quantitative effort. For the first time ever, we are implementing in Venezuela a program of massive transfer of resources to the weakest sectors. We are practically allocating an additional two percent of the GDP, as opposed to 0.45 to 0.50 percent of the GDP in the past, to weakest sectors, family subsidies, programs to provide medicine, the program to strengthen social areas, and the youth employment and training program. A great effort is being done in this regard.

We are also devoting a large amount of resources to increase the wages of public officials.

[Fernandez] However, the Venezuelan Government must closely oversee the aforementioned programs and the beneficiaries of these programs because many strange things commonly happen along the way. Under the present critical situation, money must be handled with a great deal of care.

[Matos Azocar] I agree with you on this. For instance, we thank the communities, mayoralties, even the Church, for helping us handle these resources effectively and following moral and ethical standards. I believe these are two very important variables that are there in the system and which we must ponder on.

[Fernandez] Have you decided how you will oversee and audit the use and distribution of these funds?

[Matos Azocar] We have designated a high-level commission from the Finance Ministry, which includes very qualified officials to oversee the use and ethical handling of these resources. We will swear them in next week. This is a program of the Finance Ministry to oversee spending as such.

But there is another topic that is a major subject of discussion in Venezuela: intelligence. You know that people many times rate themselves. But that is part of the ego problem. They say, I am a genius, I am capable; while others are stupid, morons; I know all the theory and details.

I have always considered that a theory that cannot be put to practice effectively is a bad theory, even if designed in the best research center in the world. I believe that those who tried to apply a theory and failed should not say anything about the one we are applying, regardless of all the adjectives they want to call it, as long as it is efficient and works.

What I want to state is that we also created a unit to monitor economic policies in the Finance Ministry, which is the entity...

[Fernandez, interrupting] That is very important.

[Matos Azocar] [words indistinct] relations with the IMF and the World Bank, we created a center to follow up and monitor the application of the Venezuela Agenda.

[Fernandez] Let us take another station break. When we return, I would like to talk about, since you referred to them, the sometimes bitter adversaries of the economic program proposed by the President Caldera administration, not to make comparison between what was done in the past and what is being done now. But I believe it is important to place in context the decisions made in 1989, during the Perez administration, and those made in 1996, under the administration of Rafael Caldera.

Dear friends, we will be back shortly with Finance Minister Luis Raul Matos Azocar.

[Fernandez] In the final part of this special program with Finance Minister Luis Raul Matos Azocar we will make a comparison, because there are evidently certain trends that should be pointed out. The same thing that was done at the start of 1989 is being done now. Former President Carlos Andres Perez noted this last night. Could you compare this with what was done in 1989. I realize the historical conditions are different.

[Matos] That is a very important point. I have avoided the futile polemic of saying I am excellent but the others are not. Let us analyze the positive, the negative, and the historical conditions.

First, the political situation of the government that tried to start the first macroeconomic stabilization program held a majority at the Congress of the Republic while ours holds a minority. Perhaps that majority made it arrogant and it forgot to speak honestly to the entire country. The Venezuela Agenda and our discussions with the IMF could not have been discussed more broadly. [chuckles]

This has given the process a great clarity and this was intensified in past days with the active participation of

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Teodoro Petkoff who assumed control of this and who realized that the political talks had to be expedited. When we I met I told Teodoro I was growing tired of doing everything and that I welcomed the participation of Freddy Rojas Parra, Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry], CTV [Venezuelan Workers Confederation], and all kinds of labor unions. We also disseminated this in the media. Work has been intense, there is a marked a difference. In that first attempt the party itself was not sufficiently informed of what was being done.

[Fernandez] It was not sufficiently convinced either.

[Matos] Probably. There is a macroeconomic element that will make this more feasible. For example, reserves then were virtually none, but at present, thanks to the much criticized exchange controls, reserves stand at $10 billion. And most importantly, and the great difference in my opinion, is the emphasis that President Caldera has placed on the human side of the negotiation; he has put people first, as he stated himself.

This is very important. There is also a conceptual difference. I told the IMF in our first talks: When you apply economic measures and design a social program afterward, help will arrive too late regardless of how fast the IMF and the IDB move. At present, fortunately, we have a social network in place already. This will allow us to pay the family subsidy on 30 April; this allowed us to advance medicine supplies. The social network is in place. This allowed us to advance collective transportation subsidies to benefit the lower income segments of the population. In other words, we had the foresight of realizing that economic and social aspects are closely linked.

I think... [pauses] now that I am saying this, someone could say I am speaking in hindsight. I recall, however, that I called Miguel Rodriguez at the Planning Ministry once and said: Please pay attention to the social aspect. I recall this as if it were today. To some of them, for example, in Buenos Aires, I handed a copy of Venezuela Agenda to [former Planning Minister] Ricardo Hausmann, who was the short-term director [director de corto plazo], when I was planning minister, and his wife Ana Julia was long-term director [directora de largo plazo]. I said that I was the link between the short and long-terms. [laughter] Ricardo read Venezuela Agenda and said: I support it 100 percent. He only had doubts about restriction percentage on the capital account. Ricardo told me: I would further evaluate whether the capital account should be deregulated completely. And we indeed made the definitive decision... [pauses] One thing I do not do is attend any forum attended by those who are permanently bitter. I do want to know nothing about them, I do not take them into account. They can say anything about me, that I am dumb, that I do not understand, but people know me, and this is why I pay little attention to them.

[Fernandez] Those who criticize the government's economic decisions claim that President Caldera made these decisions, because he had no choice; his neck was in a noose and not even he is convinced about the program that he will start implementing.

[Matos] What do they want President Caldera and Luis Raul Matos Azocar say? That we love the IMF? The IMF loves no one. There is nothing colder than the IMF. They sit at a table and start to discuss each point quantitatively. [chuckles] What do they want us to say? That we love the IMF? We do not. It is a necessary institution and we are using it to bring about a recovery in the country. I wish we could have taken another path. The sad reality is that the country's situation is so serious, the country has been so affected by the financial crisis that we have lost ground on international markets, that is the case for Latin America in general, and we think the backing of the IMF is important, and without any inhibition we have carried out a tough and lengthy negotiation.

[Matos] Our achievement in the area of salary policy, which has allowed us to give the compensations that we are giving is quite important. The fact that we and the IMF are pushing the social programs in this manner is also important. I do not mean to say with this what some have attributed to me: That the IMF has made a 180-degree turn to benefit Venezuela. There was a negotiation process...

[Fernandez, interrupting] Was it difficult to convince the president of the Republic? To promote the idea of making a decision that is as drastic, severe, and tough as this one?

[Matos] I will tell you why I am involved in this when I could be very comfortable at the Senate criticizing and questioning instead of paying such as high cost for being finance minister in the present circumstances. I have encountered a president of the Republic who is willing to do anything that is necessary for Venezuela. And this is very important for me. I told him: President, this is our financial reality; I have made contacts abroad and markets are closed. He immediately gave me authorization to do certain things. I could not have traveled to Washington had the president not supported me.

This is why I do not understand why some claimed I went there but the president did not support me. They do not know what to say now because we are very near

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of reaching an agreement with the IMF. It is a matter of a few days. And of course, they now had to criticize our not sending flowers or roses to the IMF. This has been a cold and pragmatic negotiation in keeping with the country's needs; there was nothing more to it.

[Fernandez] Is there a trip to the United States or contacts with multilateral organizations that could lead to the signing of agreements regarding all the announcements the president presented to the country on Monday?

[Matos] This is also an important step of this phase. I will leave for Washington tomorrow; on Thursday at the Embassy I will explain the measures to a group of investors who will gather at the Venezuelan Embassy. It is probable that by that day the IMF will have received the input of the technical team that is here, and that there will be some important announcements regarding the preliminary agreement, because an administrative process will follow.

On Friday I will meet investors in Florida. On Sunday at 1030 I will meet with the IMF president to finalize social programs and a fund to strengthen the financial sector. On Monday I will meet with the IDB president and will have a private meeting with Mr. Camdessus. And on Tuesday I will be attending a meeting of the IMF Development Committee, and I think this event will bring this phase completely to a close. These institutions will now support the country and this is the most important part. Let us not focus on whether we negotiated, but on the fact that these institutions will offer their strong support to definitely revive the financial sector, and to promote social programs, to help the social security system. By the way, I signed a preliminary agreement with the IMF in this regard by which about $500 million will be targeted to its definitive refinancing. We want to definitely settle this.

This is the honest truth of what we have been doing with the Venezuela Agenda. This is why we urge Venezuelans to trust us that we are crossing this very short bridge, but on the other side, we will again lower inflation, we will again have a society of opportunities that this country was, we will again have economic growth and new jobs, and we will again strengthen social aspects. This is a basic goal of this government.

[Fernandez] We thank Finance Minister Luis Raul Matos Azocar. Good luck. I hope we will move forward. This is very important.

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